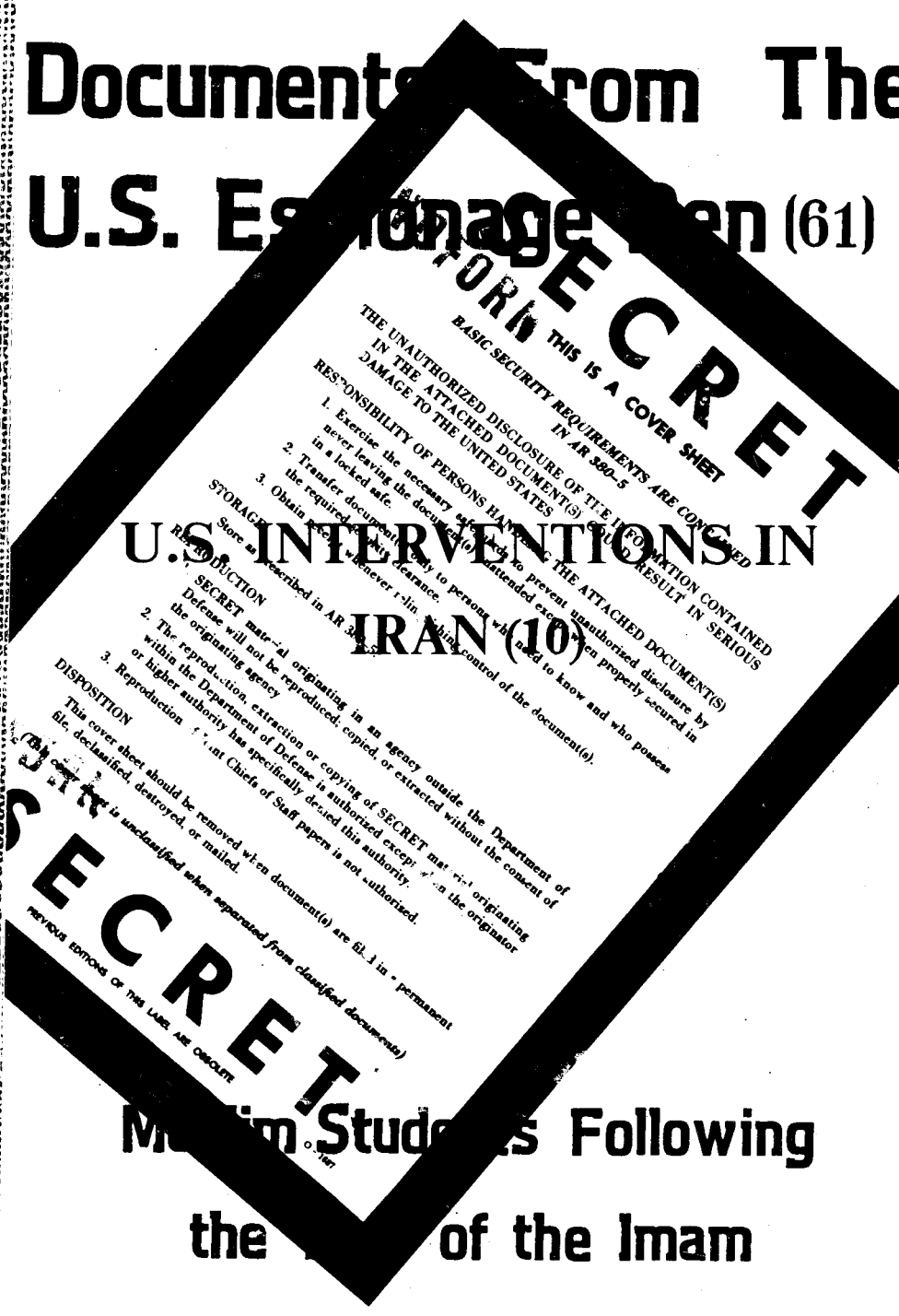
Documents From The U.S. Espionage Den (61)



U.S. INTERVENTIONS IN IRAN (10)

Muslim Students Following the Line of the Imam

In the name of Allah
the most
Compassionate and Merciful

The Center for the Publication of
the U.S. Espionage Den's Documents
Ayatollah Taleghani and Dr. Mofatteh intersection,
P.O. Box: 15815-3499 Tel: 824005

TABLE OF CONTENTS

1- A Letter For Khalatbari From Helms 1

Annex of General Security Procedures 3

A Letter For Helms From Khalatbari 4

2- Senator Percy's Visit: Political Issues 9

a- GOI Attitude Towards Arab-Israel Confrotantion 9

b- Palestinian States 10

c- Future of Saudi Arabia 10

d- Moos of Iranian Public 10

3- Movement Towards a Welfare State 12

A- Education and Manpower 12

B- Medical Reform 15

C- Housing 16

D- Land Usage 18

E- Organization of Iran's Farmers 19

F- Welfare and Social Security 21

Conclusion 22

Anti-land Speculation Bill 23

Law of Formation of Corporate Farming Companies 25

4- End of Tour Report - The outlook for Iran 31

Introduction 32

The Domestic Economy 32

External Economic Relations- Implications for the U.S. ... 35

The Political Contradiction 39

Possible U.S. Leverage 41

5- Iranian Attitude Towards Foreigners in Iran 43

Interview with Dr. Keyvan Saleh 47
Interview with Students 51
Interview with A 24-Year Old Iranian in Business 51
Interview with Mrs. Farhang Mehr 53
Interview with Dr. Mehdi Heravi 54
Interview with Shaul Bakhash 58
Interview with shahram Chubin 61
Interview with Barry Chubin 62
Interview with Mr. Rahimi Nedjadi 64
Interview with Mr. Behrouz Shahandeh 66
Interview with Ali Ghazi 68
Interview with Mr. Mehabi 70
Interview with An Iranian Teacher 71
Interview with Mike Pishvaian 73
Interview with Mohsen Darbani 75
Interview with Mahnaz Afkhami 76
Interview with Dr. Ziai 78
Interview with KHodadad Farmanfarmaian 80
Interview with Mohamad Taheri..... 84
Interview with Sa'id Kokabi 86
Interview with Mr. Parsa 87
Interview with Mr. Shabi 88
Interview with Cyrus Elahi 89
Interview with Dr. Kambiz Mahmoudi 90
6- Tabriz Riots of March 18, 1978 93

7- Rioting and Civil Insurrection in Tabriz 95
8- Qom and Tabriz Unrest 100
9- General Hassan Pakravan's Desire for Greater U.S. Advisory Role to the Shah 101
10- Popular Perceptions of the Amouzegar Government 104
11- Disturbances in Isfahan 106
Hit-and-Run Vandalism 106
GOI Involvement/Collusion 107
Second-Phase Demonstration 108
Rumors, Rumors, and Reaction 109
Analysis 110
12- Social Unrest in Iran (Shiraz) 112
13- Iran's Military Imports and Petroleum Exports 116
Iran's Foreign Trade and current Account Balances Worldwide and with the United States 1976 &77 117
Table-1. Iran's Foreign Trade 119
Table-2. Merchandies Military Imports of Iran 120
Table-3. Iranian Petroleum Exports and Estimated Revenue 1976 and 1977 121
A Letter For Financial Officer 123
Iran: Military Aid Agreement and Deliveries 125
Foreign Military Sales - Programs 126
Foreign Military Sales - deliveries 127

IRAN

Safeguarding of Classified Information

Agreement effected by exchange of notes
Signed at Tehran May 28 and June 6, 1974;
Entered into force June 6, 1974.

The American Ambassador to the Iranian Minister for Foreign Affairs

No. 370 TEHRAN, *May 28, 1974*

EXCELLENCY:

I have the honor to refer to the growing exchange of classified information between our two governments. As is customary in the conduct of diplomatic relations, such information is exchanged in confidence, with the explicit or tacit understanding that the confidence will be respected. This principle is reflected in domestic laws and regulations protecting State and Military secrets and is also embodied in various multilateral and bilateral agreements.

The United States Government believes it is desirable to record the basic principles which govern the exchange of such information in order to facilitate and further promote exchanges of such information between our two governments. I have the honor to propose, therefore, a confirmation of the Mutual Understanding that, with respect to the exchange of classified information communicated directly or indirectly between our two governments, the recipient:

a. will not release the information to a third government without the approval of the releasing government;
b. will undertake to afford the information substantially the same degree of protection afforded it by the releasing government;
c. will not use the information for other than the purpose for which it was given; and
d. will respect private rights, such as patents, copyrights, or trade secrets which are involved in the information.

For the purposes of this agreement, information is understood in its broadest sense to include, among other things, any document, writing, sketch, photograph, plan, model, specification, design, or prototype, whether communicated by oral, visual, or written means or by transfer of equipment or materials.

These principles will apply in the case of the Government of the United States to information designated by the Government of the United States as "Confidential", "Secret", or "Top Secret", and to information designated by your Government as coming within the purview of this agreement. This agreement will not, however, apply to information for which special agreements may be required.

This understanding will apply to all exchanges of such information between all agencies and authorized officials of our two Governments, whether at the respective capitals of our two countries, at international conferences or elsewhere. Any other arrangements between our two Governments or their respective agencies relating to the exchange of such information will, to the extent that they are not inconsistent with those principles, not be affected by this understanding. Details regarding channels of communication and the application of the foregoing principles will be the subject of such technical arrangements as may be necessary between appropriate agencies of our respective Governments.

Each Government will permit security experts of the other Government to make periodic visits to its territory, when it is mutually convenient, to discuss with its security authorities its procedures and facilities for the protection of classified information furnished to it by the other Government, and will assist such experts in determining whether classified information provided by their Government to the other Government is being adequately protected.

In recognition of the fact that protection of the classified information exchanged hereunder, particularly in the field of research on and development and production of defense material, is essential to the national safety of both our countries, general procedures for safeguarding the information will be as set forth in Annex hereto. If the foregoing is agreeable to your Government, I propose that this note and your reply to that effect, designating the types of information your Government wishes covered, shall constitute an agreement on this matter effective the date of your reply.

Accept, Excellency, the renewed assurances of my highest consideration.

RICHARD HELMS

American Ambassador

His Excellency

ABBAS-ALI KHALATBARI,

Minister for Foreign Affairs,

Tehran

Annex of General Security Procedures

1. Official information given a security classification by either of our two Governments or by agreement of our two Governments and furnished by either Government to the other through Government channels will be assigned a classification by appropriate authorities of the receiving Government which will assure a degree of protection equivalent to or greater than that required by the Government furnishing the information.

2. The recipient Government will not use such information for other than the purposes for which it was furnished and will not disclose such information to a third Government without the prior consent of the Government which furnished the information.

3. With respect to such information furnished in connection with contracts made by either Government, its agencies, or private entities or individuals within its territory with the other Government, its agencies, or private entities or individuals within its territory, the Government of the country in which performance under the contract is taking place will assume responsibility for administering security measures for the protection of such classified information in accordance with standards and requirements which are administered by that Government in the case of contractual arrangements involving information it originates of the same security classification. Prior to the release of any such information which is classified CONFIDENTIAL or higher to any contractor or prospective contractor, the Government considering release of the information will undertake to insure that such contractor or prospective contractor and his facility have the capability to protect the classified information adequately, will grant an appropriate facility clearance to this effect, and will undertake, in accordance with national practice, to grant appropriate security clearances for all personnel whose duties require access to the classified information.

4. The recipient Government will also:

   a. Insure that all persons having access to such classified information are informed of their responsibilities to protect the information in accordance with applicable laws.

   b. Carry out security inspections of facilities within its territory which are engaged in contracts involving such classified information.

   c. Assure that access to such classified information at facilities described in subparagraph b is limited to those persons who require it for official purposes. In this connection, a request for authorization to visit such a facility when access to the

classified information is involved will be submitted to the appropriate department or agency of the Government where the facility is located by an agency designated for this purpose by the other Government, and the request will include a statement of the security clearance and official status of the visitor and of the necessity for the visit. Blanket authorizations for visits over extended periods may be arranged. The Government to which the request is submitted will be responsible for advising the contractor of the proposed visit and for authorizing the visit to be made.

5. Costs incurred in conducting security investigations or inspections required hereunder will not be subject to reimbursement.

6. Classified information and material will be transferred only on a government-to-government basis.

7. The Government which is the recipient of material produced under contract in the territory of the other Government undertakes to protect classified information contained therein in the same manner as it protects its own classified information.

The Iranian Minister for Foreign Affairs to the American Ambassador

IMPERIAL MINISTRY
OF FOREIGN AFFAIRS

No. 2515/18 TEHRAN, *6 June 1974*

MR. AMBASSADOR:

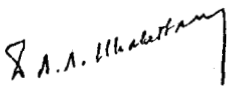
I have the honor to refer to your Note No. 370 of 28 May 1974 and the Annex thereto proposing that classified information exchanged between the Imperial Government of Iran and the Government of the United States of America be subject to certain agreed security principles and procedures set forth therein.

I have the honor to inform Your Excellency that the Imperial Government of Iran concurs in the proposals contained in the aforementioned Note and Annex thereto. With regard to information originating with the Government of Iran, the principles and procedures set forth will be considered to apply to all information designated "Confidential", "Very Confidential", "Secret" and "Top Secret", except where special agreements covering such information may be required.

In accordance with the suggestion contained in your Note, it is hereby agreed that your Note No. 370 of 28 May 1974 and the Annex thereto and this reply shall constitute an agreement between our two governments effective immediately.

I avail myself of this opportunity to renew the assurances of my highest consideration.

ABBAS ALI KHALATBARY
Minister for Foreign Affairs



His Excellency,
RICHARD HELMS,
Ambassador of the United States of America,
Tehran, Iran

IMPERIAL MINISTRY
OF FOREIGN AFFAIRS

No. 2515/18

Tehran, 6 June 1974

Mr. Ambassador:

I have the honor to refer to your Note No. 370 of 28 May 1974 and the Annex thereto proposing that classified information exchanged between the Imperial Government of Iran and the Government of the United States of America be subject to certain agreed security principles and procedures set forth therein.

I have the honor to inform Your Excellency that the Imperial Government of Iran concurs in the proposals contained in the aforementioned Note and Annex thereto. With regard to information originating with the Government of Iran, the principles and procedures set forth will be considered to apply to all information designated "Confidential", "Very Confidential", "Secret" and "Top Secret", except where special agreements covering such information may be required.

In accordance with the suggestion contained in your Note, it is hereby agreed that your Note No. 370 of 28 May 1974 and the Annex thereto and

6

%

IMPERIAL MINISTRY
OF FOREIGN AFFAIRS

this reply shall constitute an agreement between our two governments effective immediately.

I avail myself of this opportunity to renew the assurances of my highest consideration.

Abbas Ali Khalatbary
Minister for Foreign Affairs

A. A. Khalatbary

His Excellency,
Richard Helms,
Ambassador of the United States of America,
Tehran, Iran.

CONFIDENTIAL

Department of State

TELEGRAM

AMEMBASSY TEHRAN

	ACTION:	SECSTATE WASHDC	0210
	INFO:	Amembassy JIDDA	Jan 9,75 - 1129Z
		Amembassy TEL AVIV	
		Amembassy AMMAN	
		Amembassy MUSCAT	
		Amembassy KUWAIT	
		Amembassy CAIRO	
		Amembassy ABU DHABI	
		USCINCEUR VAIHINGEN GER	
		Amembassy MANAMA	
		Amembassy DOHA	

CONFIDENTIAL TEHRAN 0210

E.O. 11652: GDS

TAGS: OREP (PERCY, Charles)

SUBJ: Senator Percy's Visit: Political Issues

REF: Tehran 100 (NOTAL)

1. In separate conversations, Senator Percy drew out Ministers Amouzegar and Ansary and Israeli Representative Lubrani on following topics. This report is uncleared and subject to revision by Senator.

a. GOI Attitude Towards Arab-Israel Confrontation.

All three agreed or assumed that Iranian position was basically unchanged, i.e., Iran would not help Arabs militaril

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
POL/N:HPreeht:mil	1/9/75	2104	CHARGE:JMiklos

POL:HQMills

CONFIDENTIAL
Classification

against Israel and would not join oil embargo. Lubrani thought that Iran was wooing Arabs, especially Egypt, to seek support in Iran-Iraq difficulties and to bolster Iranian position in Gulf. Quiet cooperation with Israel continued, he noted, despite political sensitivities.

b. Palestinian State:

Amouzegar and Ansary thought creation of Palestinian state inevitable and viable proposition. Both were vague as to how or where state might exist and both hoped something could be done to preserve Hussein's position. Lubrani thought Hussein was preparing a showdown with Palestinians and that Shah intended to size up Hussein's prospects before his talks with Sadat.

c. Future of Saudi Arabia:

Amouzegar and Lubrani felt SAG a very fragile regime with rather good prospects for replacement by anti-Western Qaddafi-type. Amouzegar thought creation of small Persian Gulf states had been serious mistake and implied that Emirates should regroup themselves in some larger entity. Both he and Lubrani thought Palestinian state would focus strong pressures on Peninsula states. Lubrani thought Iran would intervene across the Gulf should political changes appear contrary to GOI interests.

d. Mood of Iranian Public:

Ansary described present period as "very delicate

and sensitive", owing to high Iranian expectations of personal benefits from oil income and inflationary tensions resulting from injection of large sums of new money into economy. Amouzegar described problems of GOI in even sharper terms, noting personnel and physical impediments to development and fact that urban income is seven times greater than rural. Ansary said GOI was handling situation with great ~~xx~~ care. Both he and Amouzegar thought GOI had done reasonable job with subsidies on basic commodities to restrain inflation (now at 12 per cent according to Ansary) and provide social services. Both agreed there had been grumbling by students and others over new Iranian foreign aid program while domestic wants not satisfied. Both thought GOI had convinced public of broader interests at stake. Lubrani was less optimistic or positive in outlook. He feared Shah's form of "megalomania" might lead him to order social or economic programs which subordinates could not possibly handle, thereby creating public disappointment. Lubrani was also worried by income gap and reactionary influence of religious elements. Amouzegar maintained religious power on decline. In summary, all three men depicted internal situation in varying hues less than rose color on political spectrum.

MIKLOS

HQM/

A-28 CONFIDENTIAL

Department of State

POL-3

Department Pass NSC/SSA

AMB
DCM
ECON-2
OR-2
POL/M
USIS
CRU

Feb. 20, 1975

KHOR-3
TABR-3
18/1m

Amembassy, Tehran
E.O. 11652: GDS
Movement Toward a Welfare State
TAGS: ELAB, SOCL, EAGR, PINS, IR

SUMMARY: Utilizing his vastly increased oil revenues, the Shah and his government have indicated their intention to launch a series of welfare programs which may bring better health, education and conditions of life to the Iranian people and ensure a more equitable distribution of oil revenues. These ambitious plans include potentially enormous reforms in education and manpower training, medical services, housing, land usage, the organization of Iran's farmers and welfare and social security, which are highlighted in this report. Another complementary report, now in draft, will discuss in detail the progress of the Shah-People Revolution. The realization of these programs will require many years and the creation of a whole range of expertise and infrastructure which Iran, like most other developing nations, presently lacks. Iran's success in finding ways to carry out these ambitious social reforms may be vital to continued national development and stability. END SUMMARY.

A. Education and Manpower:

In the general field of welfare and national development the Iranian government seems presently to be devoting a greater share of its attention to the problems of education and the training and utilization of manpower than to any other area. The revised Fifth Plan has allotted 150 billion rials (approximately $1.9 billion) for education, including 20 billion rials (approximately $297 million) for the free primary education program alone. Though impressive, the $1.9 billion represents an increase of only 2.4% in recognition of the inability of the Iranian educational system to absorb a greater amount. Of the 124,000 Iranian students presently in universities, almost 41,000 receive government

CONFIDENTIAL

POL:SSeuderotbem

POL:HMills

AGR:DMining

12

aid. A Student Affairs Coordination Council under the auspices of the Prime Minister has recently established a fund to assist Iranian students overseas and the newly-created Students Organization in the Ministry of Science and Higher Education will assist graduates in future jobs, evaluate foreign degrees and supervise a variety of university level educational activities. Some 40,000 student volunteers took part in a $24 million summer development scheme in rural areas and the number of student participants is expected to climb to one million by 1978.

The Shah has decreed that the first eight years of education, including a daily milk and protein ration for each student, shall be free. Another provision forbids parents from preventing their children from attending school. To ensure that this law is not evaded each newborn child will be registered and issued an education card. The decree has resulted in a rapid increase in the numbers of Iranian children receiving lower-level education. According to official estimates 71% of Iran's 4,764,000 children aged 6-10 are currently enrolled in regular elementary schools, Education Corps school or Literacy Corps classes. The Ministry of Education was charged with implementing the decree by September 1974. In practice, it has not yet been possible to fully implement the free lunch scheme, and in November 1974 responsibility for this portion of the program was transferred to the Ministry of Commerce. Problems with distribution and spoilage continued, but a major effort was made resulting in significant nutritional improvement in the diets of a great many students. In addition, the Shah has indicated that free higher education, including living expenses, may also be provided by the government if students agree to work for the state one year for every year of high school and two years for every year of college education. Technical college education will be provided without pay-back conditions.

In the early period the quality of education to be provided is likely to be low because of an acute teacher shortage estimated at 30,000 per year which cannot be overcome for a number of years, as Iran's present teacher training capacity is 10,000-13,000. Moreover, given the present high rate of Iranian population growth, the total of primary school age children, estimated at about 4.0 million in 1971, will reach some 6.7 million in 1986, an increase which would strain any educational system. The shortage reflects not only a sudden spurt in demand for teachers but also their poor pay scale and the low regard with which the profession is viewed by Iranians. The Iranians are aware of this problem and in September 1974, the Ramsar Conference resolved to provide better pay, insurance, housing and other welfare services in order to attract more people to the teaching profession. This led to a program for the construction of 700 housing units for teachers in Tehran which, though delayed by a dispute over location, is a concrete demonstration of intent which should favorably impress prospective teachers. In the meantime the Literacy and Education Corps provide some rural area relief from the teacher shortage which officials hope to further alleviate through television teaching and the use of less fully qualified instructors for lower primary courses.

Meanwhile, university and lower school construction is proceeding apace. Within the last year 700 elementary and secondary schools were built, the budget for Tehran University was increased by $13.8 million to $84 million, and a number of regional universities have been planned for remote areas of the country.

In the related field of manpower training, the Iranians anticipate a need for 2.1 million new workers by 1978; even if all programs perform at their optimum levels, a shortfall of about 720,000 is forecast. These jobs may have to be filled through the importation of foreign labor and, in fact, Iran already uses many Indian and Pakistani doctors in rural areas. In addition there are plans afoot to recruit some 7,000 Filipino engineers, medical personnel and construction technicians--as well as experts from other nations. To coordinate requests for foreign labor from the public and private sectors the Ministry of Labor and Social Affairs has set up a Foreign Employment Center which will give priority to medical personnel and construction and road building experts.

The GOI is also attempting to encourage trained Iranians living abroad to return. Particularly in the field of medicine and among engineers attention is being directed to alleviation of the Iranian brain drain to Europe and the United States. Ministry of Education statistics indicate that 71% of all Iranians studying overseas are in the US, 25% are in West Germany, 10% in the UK and 6% in France. The GOI intends to send teams of recruiters abroad to contact emigre Iranians with offers of better pay and descriptions of improved working and social conditions to induce them to return to Iran.

But the bulk of Iran's future manpower needs must be met from within. With the help of a $19 million World Bank loan, the GOI and UNESCO plan to launch a $70 million project to construct 39 new vocational and agricultural schools, primary and guidance-level schools and teacher training facilities. Present plans call for ten times as many vocational students by 1978 (about 560,000) as are being trained today. The GOI hopes to accomplish much of this future training through 150 mobile vocational training centers which will channel their graduates to a system of 200 mobile and 150 stationary placement centers which the Labor Ministry expects will be able to shift workers to areas where jobs are available. At present these centers are still largely in the planning stage.

Some facets of Iran's current educational training seem to miss the mark and will have to be revised. Sizeable numbers of traditionally trained university graduates are frustrated to find they are unemployable without further practical training, while unspecialized high school graduates are often unable to find non-menial jobs except in areas of the private sector which offer training programs. Some universities are beginning to respond to this problem by offering short-term courses to develop marketable skills and the GOI plans to send 600 high school graduates annually for a three months' training course abroad under International Labor Organization auspices. More emphasis may also be

directed toward better utilization of women, a greatly underemployed segment of Iranian society. At present only 13.6% of women are working and that figure is expected to rise only to 15.3% by the end of the Fifth Plan in 1978.

Although over half of all Iranian economic activity is presently in government hands, in the field of training skilled and semi-skilled labor the private sector has an important and continuing role to play, and the vast majority of such labor has received its training and experience outside of government programs. At the November 1974 Shiraz Management Conference, the GOI explicitly recognized this, particularly in the fields of sugar, cement and textiles, by offering to finance all or part of the private sector's training expenditures through subsidy or tax relief.

This sudden need for trained manpower underlines the fact that Iranian education and manpower planning have developed, perhaps understandably, without anticipation of the needs springing from the vast and rapid growth of Iran's oil revenues. It is in the field of training and utilization of skilled and semi-skilled workers that the GOI now faces its most pressing development-related problems. Though the Shiraz Conference began the work of building a model of Iranian manpower needs, Iran still lacks the statistical base to enable it to make proper use of its existing labor force, train the necessary future workers, or utilize under-employed manpower such as women or seasonal agricultural workers. Both the Plan and Budget Organization, which has major responsibility for this area, and the Ministry of Labor are still developing the statistical and analytical capability to determine how best to approach these problems and to address the questions of salary comparability, housing, dependency and repatriation which would be involved in the importation of foreign workers in the numbers likely to be required to enable Iran to carry out its development schedule.

B. Medical Reforms:

Shortly after his education decree the Shah also announced a nation-wide program of preventive medicine. To broaden the scope of available health care in the provinces and moderate the effects of the national shortage of doctors, the Imperial Organization of Social Services, under Princess Ashraf, plans to offer nine months of training to teams of health auxiliaries who would devote their careers to preventive and curative medicine in rural areas. Eventually it is hoped that the auxiliaries will number more than 60,000, but stiff initial resistance by Iranian doctors has delayed the start of the program. The government is also considering a separate and somewhat overlapping plan to train health assistants and paramedics who would serve a compulsory two-year tour in the health auxiliaries. But following their initial two-year assignment they would be permitted to enter a four-year course leading to a MD in medicine at government expense. After graduation they could serve as instructors for future health assistants or continue their medical education to the MD level.

In suggesting the development of non-M.D. health auxiliaries the Iranians are striving to overcome in a brief period the effects of a national shortage of doctors and the reluctance of Iranian doctors to serve in isolated provincial regions, which have left an estimated 80% of the population without adequate medical coverage. For example Iran, a nation of over 32 million people, has only 11,774 physicians, of whom 5,538 are medical specialists. Some 2,347 of those specialists work in Tehran.

The GOI hopes to induce 300 to 500 Iranian doctors practicing in West Germany to come home by recognizing their German degrees which previously have been deemed insufficient to qualify for medical practice in Iran. Iranian doctors practicing in other nations are offered exemption from military service provided they serve five years in a government-designated hospital at full salary with the right to private practice after hospital hours. Iran has also begun to import doctors from Pakistan and India in order to meet its development needs. However, realization of most of these programs, several of which supplement the rural Health Corps, is well into the future. With the exception of the vaccination program which is already underway, it is too early to characterize them as anything but proposals.

Within Tehran the government has launched some immediately realizable programs designed to increase the availability of medical care to the poor. These include the construction of two 1,000-bed hospitals which will offer set rates of 300 rials per day in less well equipped clinics and 900 rials in standard hospitals. All other hospitals receiving 30% or more of their budget from the government and hospitals which have government contracts for the treatment of civil service employees will also charge these set rates.

The GOI stresses that it does not intend to impose "socialized" medicine in Iran. Its goal is to provide broad free medical services to those who cannot afford to pay while leaving the wealthier public, which is dissatisfied with the quality of service and treatment offered at public facilities, free to pay for the kind of medical care it wants.

C. Housing:

Initially the GOI had intended to leave some 75% of Iranian housing construction to the private sector and concentrate its own construction resources primarily on housing for civil servants and the military. And in fact during the Fourth Plan (1968-1973), the private sector put up 256,000 housing units as compared to 37,000 for the government. However housing density rose during this period from 7.7 to 8.5 persons per house and, following the April 1974 cabinet shakeup and in the face of a national housing shortage of approximately 1.7 million units, the government decided to intervene. The housing construction goal was raised under the revised Fifth Plan from 740,000 units to 1,050,000 and appropriations for housing have been increased from 90 billion to 250 billion rials. Additional resources plus the rapid and subsidized de-

velopment of a prefabricated housing industry will permit the government to construct 100,000 housing units per year by 1978, according to official estimates. (Hitting a slightly discordant note, Maroch Housing Company Manager Amir Shahd has commented that it will take at least two years to import and set up pre-fab housing plants before any units can be built.) Housing and Town Minister Manoucher Jaber Ansari has announced the even more ambitious goal of 200,000 units to be constructed during the next year, 120,000 by the private sector, and 80,000 by the government, including 20,000 by his Ministry. He expects the new target to cost $6.69 billion. He may anticipate some assistance from UK, French, Danish and Arab firms which have expressed varying degrees of interest in the Iranian housing market. However, the private sector has in the past tended to concentrate on the construction of luxury apartment buildings which return a greater profit. The government should develop a program to induce private contractors to build more large-scale, low-cost housing projects to meet the greater need.

The government also plans to purchase apartment buildings constructed by the private sector and construct low-cost housing for sale at reduced rates, with workers, members of housing co-ops, rural co-ops and those who work for employers insured under the social insurance organization receiving top priority. Housing cooperatives are to be further encouraged by a 3 billion rial credit to the Construction Bank for low interest 20-year loans to co-op members at 2%-6% in Tehran and less in the provinces. Construction Bank loans have also become more attractive as the Central Bank reduced its lending rate to the Construction Bank from 8% to 6%. Purchasers who are not co-op members would be expected to make a 20% downpayment with housing loan bonds obtainable from authorized banks and the remainder of the cost, including 50% of the value of the land on which the house is built, will be subject to time payments at 12% over 15 years. Several existing housing projects financed by the Workers Welfare Bank, the Mortgage Bank or the Housing Organization, some of which compare favorably to those in other developing countries, require a 20% downpayment at interest rates ranging from 2% to 9%. Although the recent influx of oil money has made possible lower interest rates and easier loans, housing loans to workers is a continuation of a long-standing GOI policy--from 1962 to 1975 various government lending agencies advanced 19.4 billion rials to 132,194 workers.

The GOI also hopes to stabilize rents by requiring landlords to calculate their annual rentals on the basis of a percentage of the taxes they pay on the land and building to be rented. (At present houses valued under 300,000 rials are exempt from tax and, through arrangements between landlords and tax assessors, many houses are reportedly undervalued). Until March 21, 1975, rents for older buildings are limited to the rental charged as of March 21, 1972. However, demand for rental housing in the capital is so great that even though rents are controlled landlords have little difficulty in obtaining under-the-table payments from tenants.

Under an April 1974 agreement with the UNDP the Plan and Budget Organization created a National Building and Housing Research Center which has been charged with drawing up a national building code. This and other regulations are intended to assist the Housing Ministry in the realization of its ambitious 20-year scheme for construction of 2,349,000 urban and 7.5 million rural housing units, a target which the Prime Minister, speaking at the January 1975 Congress of the Iran Novin Party, upped to 11.5 million total units in 15 years. Hoveyda anticipates that 60% of the projected new housing will be needed for increased population, 14% to overcome the existing housing shortage, 25% for building replacement and the remaining 1% as a reserve.

By these measures the GOI has made a significant commitment to improve housing for Iranians, but past housing goals of a more modest nature have not been met largely because the construction industry has been plagued by shortages of essential materials such as cement and certain types of steel. The cement situation has improved but Iran's rapid population growth--at 3.2% it is one of the world's highest--and the present tendency toward urban migration will place increasing strains on the nation's building capacity. (The GOI has inaugurated a program to encourage reverse migration but so far it has not been notably successful.) Iran's material resources, its skilled and semi-skilled manpower and its import and transportation capacity are far more limited than its finances. To carry out its housing programs successfully, the GOI must establish priorities to ensure that housing does not compete any more than necessary with development in other areas for these limited resources.

D. Land Usage:

A major factor in the increasing cost of housing and rentals has been the skyrocketing cost of land. In an effort to reduce widespread land speculation the government has announced plans to purchase unused plots of land larger than 500 square meters near cities of more than 25,000. The land would be turned over to a GOI land bank for eventual use in public housing, parks or recreation areas. The owners would be paid "market" value for their lands but would be encouraged to invest the proceeds in government factory shares as an anti-inflationary measure.

In a much more significant move the Majles is presently considering a land bill (see Enclosure 1 for text of draft bill) which is perhaps the most broad-based piece of Iranian land legislation since the Shah's original land reform. Basically the bill forbids the sale of undeveloped urban land more than once. Lots located outside city limits may continue to be sold but the taxes on each piece of land will double with each sale. The owner may hold his undeveloped land, build on it and then sell or rent it, or sell it to the government. If the government buys land it may rent or transfer it back to the private sector for the construction of approved housing projects. However, if the contractor fails to complete the project within a stipulated time he is subject to fine and forefeiture of the land.

This bill has aroused more interest in the Majlas than anything in recent memory, resulting in a host of proposed amendments. Some of these, such as a proposal to require that owners build on all urban lots within 1-3 years or face forced sale of the land to the government are obviously impractical. Tehran alone has 26,943 vacant plots of different sizes and Iran lacks the construction material and skilled labor to embark on a building program of this size in addition to everything else that is planned. Other provisions of the bill contain loopholes; the type of building which would permit resale is not defined and those with sufficient "influence" could no doubt purchase land and arrange for the government to refuse to buy it, thereby ensuring private resale. Depending on which amendments are finally accepted, this omnibus bill may establish government control of the conditions of sale of undeveloped urban (and some rural) land, building, rental costs, leasing, land taxation, indeed virtually everything having to do with urban land transaction and development.

Another effective move against speculation was the recent nationalization of 429,000 hectares of undeveloped pasture in East Azarbajan, 3 million square meters of land near Mashad, and various pieces of unimproved land near Qom and Karaj. Because the amount paid for nationalized land is so much less than its market value, speculators have suddenly withdrawn from the market and demand for lands located outside the limits of a city has fallen off sharply.

To further discourage land speculation, reduce the rate at which lands are being removed from agricultural production, and limit unwanted migration to the cities, the Ministry of Agriculture has banned the subdivision of agricultural lands located within a certain distance of cities and towns. The Majlas is also considering, as an amendment to the above-noted land bill, a proposal forbidding the sale of agricultural lands or water rights received under land reform laws to anyone except another farmer or an agricultural cooperative. Even this limited sale would require the prior approval of the Ministry of Cooperatives and Rural Affairs.

8. Organization of Iran's Farmers:

The GOI is developing a system of cooperatives and farm corporations intended to revolutionize traditional village agricultural and marketing methods through increased regimentation and more efficient organization of the isolated individualistic peasantry. Rural co-ops, which are supposed to provide marketing facilities and low interest Agricultural Development Bank and Farmers Cooperative Bank loans for members, once numbered 8,300 but a recent move toward consolidation has reduced them to 2,697. They operate with 4.8 billion rials (approximately $71 million) of capital. Before amalgamation each co-op included about three villages, but now none has less than 10 villages and 223 have more than 50. The consolidation of these co-ops was based on the concept of pole areas whose village populations have been induced to move for agricultural efficiency, to make it easier to provide educational, health and other

social services, and, some say, to facilitate the direction of the farmers by the government. In the future the GOI plans to gather even larger numbers of villagers into rural townships where cottage industries and light farm-related industries such as food processing would be set up to provide work for the farmers in the off-season. Sixty such townships are presently in the planning stage. The Shah has also called for some kind of crop insurance and guaranteed government purchase of agricultural produce.

An outgrowth of the cooperative idea, the farm corporation, (the two concepts sometimes overlap in statements by Iranian officials) is an ambitious plan to increase the agricultural output by grouping peasants, voluntarily or not, into collectives. With the aid of a $60 million World Bank loan, some 65 have been established. The collective owns all lands and equipment within its jurisdiction and members are allotted shares based on the lands, water or other assets they owned at the time of its formulation. Members receive portions of the corporation's profit based on their shareholdings. Shares, but not land, are transferable and inheritable. All corporation matters (including personal disputes between members) are decided by three-man management committees appointed by the Ministry of Cooperatives and Rural Affairs. This committee issues cards which allow members to make credit purchases from a "company store" against future share returns. Committees can deprive members of their shares and in at least some of the farm corporations can control travel by members outside the corporation areas.

In recent years, despite these programs, the increase in agricultural production has not kept pace with the rate of population growth and the greatly increased consumption made possible by higher per capita income. (In 1974 alone Iranian consumption of sugar was up 18%, vegetable oil up 40% and meat 100% over the previous year.) Iran has wisely used its augmented cash resources to finance massive imports of wheat, rice, soy bean meal, sugar, cheese, meat and other edibles which are made available to the people at subsidized prices. Such a program, however, treats symptoms rather than causes and is no substitute for an increase in domestic production. But as only 6% of the 1.2 million new jobs anticipated during the Fifth Plan (see Section A above) are expected to occur in the agricultural sector and as agriculture offers the largest pool of unemployed or underemployed, it follows that most domestic recruits for the remaining 94% of jobs must be drawn from the rural agricultural population. Some industries can be established in rural areas, but per capita agricultural efficiency must be increased manyfold if Iran is to produce more food with fewer farmers.

Unfortunately the cooperative system on which Iran has pinned much of its hope for the future has not worked well; Kamran Gudarzi, former Undersecretary for Cooperatives in the Ministry of Cooperatives and Rural Affairs, has privately and perhaps exaggeratedly described them as a total failure. According to a White Revolution Study Group report, local cooperative officials are not well trained and neither they nor their members are fully aware of the potential and responsibilities of the co-op system. They have not been successful in offering goods to

members at lower prices nor have they had any discernible influence on nation-wide inflation. The co-ops have not performed their marketing functions well and, though they have had some success with loans to members, their interest rates have fluctuated wildly. Moreover, their available loan capital has not been sufficient to meet members' needs, causing them to rely either on remote banks or the traditional private lenders.

The cooperatives and farm corporations have so far demonstrated a greater potential for breaking down the traditional village structure and bringing villagers under increased government direction than for serving as an improved farming, lending and marketing system. To date the co-ops and farm corporations are perhaps the best example of the major defect in Iranian welfare schemes: a visionary proposal from the top, supported or given lip service by all levels of government but severely hampered by poor coordination and understanding, a lack of trained manpower and simple bureaucratic inefficiency.

As indicated by the White Revolution Study Group Report, the government is aware that its co-op program has problems. The revised Fifth Plan includes a 24% increase in funds allocated to rural development and a 98% jump in agricultural expenditures, including 10 billion rials to be made available March 21, 1975, to enable the co-ops to purchase their own produce (at pre-set government prices) and market them through a farmers' marketing cooperative. The GOI has also emphasized its determination to help farmers by selling them fertilizer at subsidized prices and allocating 4 billion rials to pay off farmers' debts to traditional moneylenders. However, many of the deficiencies which plague the co-ops are caused by such things as shortages of trained personnel willing to live and work in rural areas and cannot be eliminated solely by increased spending. Thus it is doubtful that the program will achieve its goals over the short term.

F. Welfare and Social Security:

The Ministry of Social Welfare, formed in the April 1974 Cabinet shakeup, has been given a mandate to control or, in the case of voluntary organizations, to coordinate the entire national welfare effort. The Ministry has ambitious plans to oversee nation-wide social security and social and medical insurance programs and intends to develop centers for the rehabilitation of prostitutes, drug addicts and the mentally ill. In addition to responsibility for implementation of the Shah's decree of January 6, 1975 which offers assistance to the handicapped, widows, orphans and families without breadwinners, intended as a stop gap measure until 1983 when social insurance coverage is to be extended to all Iranians, the program will provide aid in the form of cash subsidies.

However, the Ministry is just getting started and is still engaged in infighting with heretofore independent and often corrupt welfare groups to establish its preeminent position. In addition it lacks the trained personnel (in December 1974 the 28-year-old Social Insurance Organization hired its first actuary), and research studies necessary to carry out such ambitious welfare programs and has requested assistance from the U.S. Department of Health, Education and Welfare in most of its fields. The Ministry does not want for money and its goals enjoy the support of the Throne, but at its present state of development it is still reaching for ways to carry out its mandate.

CONCLUSION:

It is clear that Iran has made a massive and enlightened commitment to create broadly-based welfare schemes which, if successful, will improve the condition of life for most of the population. In so doing Iran finds itself short of virtually everything except money. Though still in its embryonic stages, the success of Iran's welfare program is essential to continuing national development and perhaps, in a more limited sense, to national stability as well. Iranian development has of necessity taken place in such a way that the few have benefited to a far greater extent than the many. Larger oil revenues have increased expectations but income distribution remains enormously skewed, inflation continues at more than 20%, and corruption and nepotism pose problems of inefficiency and inequality. These problems are traditional in Iranian society and the Iranian socio/political structure is probably not flexible enough to accept, over a short period of time, the kinds of changes which a concerned government might like to impose in order to rectify some of these inequalities. Understanding this, the government's response has been the institution of these massive welfare schemes which may help to channel some of the new oil benefits directly to the people, bypassing the traditional system. While this method attacks the symptoms of the problem rather than the problem itself, it does buy time for the more basic, long-term government reforms implicit in the welfare programs to take hold. The Iranian masses are surprisingly patient and with these welfare programs they can point to some improvements in their life style. But the problems of welfare implementation in Iran are legion, and in a nation where emphasis is often placed on form rather than substance, some fine-sounding government programs never come off at all. Others experience long delays and are plagued with the inefficiencies endemic to Iranian bureaucracy and their eventual effectiveness is diluted. Although Iranians have come to expect this kind of performance, in this instance well-intentioned development programs which fail to show results fast enough to satisfy the wants and needs of the people might be worse than none at all. It will be interesting to see how Iran's efforts to mount an effective welfare program satisfies the needs and the growing expectations of its poorer classes.

[redacted]

2 Enclosures:
1. Anti-Land Speculation Bill
2. Law of Formation of Corporate Farming Companies

[redacted]

ANTI-LAND SPECULATION BILL:

ARTICLE 1 - Transaction of land lots lacking buildings proportionate with the size of the land is allowed only once, after the enforcement of the law. Further transactions are permitted only after the construction of buildings proportionate to the size of the land.

ARTICLE 2 - Registration of documents for the sale or any other kind of transactions, whether settlement, power of attorney, mortgage, conditional sale or the rent of land lots contrary to the contents of Article 1 is forbidden. Directors of notary public offices that violate the law are liable to maximum punishment prescribed for notary public offences.

CLAUSE - Conditional or mortgage transactions for construction or housing loans or industrial activities, from official financial institutes are exempted from restrictions and regulations included in Article 2.

ARTICLE 3 - The Government can purchase land for the construction of housing units or for its other uses at current land prices, according to the Plan and Budget Law, from land owners. Government purchased land is exempt from restrictions outlined in Article 1.

ARTICLE 4 - Land offered by owners for sale to the Government will be bought at current prices. The Government will pay up to two million rials in cash and the rest in five years with an interest rate equal to that of Government bonds. The sale of offered land lots will be permitted once again if the Government does not purchase them.

ARTICLE 5 - Land needed for private housing projects will be rented or transferred to the private sector by the Government, at finished prices, only if the Ministry of Housing and Town Planning approves the housing project. If the tenant or purchaser of such land fails to complete the approved housing project within the stipulated deadline, the Government will levy a fine equal to two years' rent or deduct 20 per cent of purchase cost as a fine and cancel the documents for the rent or sale of the land.

- If the tenant or purchaser of the land refrains from signing documents for the cancellation of the rent or sale of the land, the provincial prosecuter will sign on his behalf.

ARTICLE 6 - Housing units located inside city services limits that receive certificates for completion of construction will be exempted from restrictions prescribed in the Tenant-Landlord Relationship Law, after this law is enforced. Relationship between landlord and tenant in such cases will be judged by the Civil Code or agreements between the two sides.

ARTICLE 7 - Land lots located outside city limits will apply to the law as of the date when they are included in the city limits or as of the date local municipalities issue construction permits for the land. Land lots located inside city limits of satellite towns will also be covered by the law as soon as permits for start of construction work are issued.

ARTICLE 8 - Transfer or other kinds of transactions on land lots located outside city limits will be applied with twice the amount of taxes prescribed in Article 213 or the direct taxes law. This rate will be doubled each time the land lot changes hands.

ARTICLE 9 - Enforcement procedures for this law will be prepared by the Ministry of Housing and Town Planning and the Ministry of Justice and will be implemented with the approval of the cabinet.

LAW OF FORMATION OF CORPORATE FARMING COMPANIES

ARTICLE 1 - To help increase the income of farmers, to acquaint them with modern agricultural and livestock raising methods, to prevent division of farm lands into small uneconomical pieces, to reclaim and utilize heretofore arid lands and to develop and extend non-agricultural activities such as handicrafts in rural areas, the Ministry of Cooperatives and Rural Affairs shall gradually establish farming corporations in the country's rural units (comprising villages and farms) in various areas, and may revise and change the operation area of each corporation if necessary. These corporate farming companies as well as the rural production cooperatives in each area may jointly establish livestock and dairy units and agricultural industries to further process their agricultural and livestock products.

ARTICLE 2 - Shareholders of the corporate farming companies will be the following persons:

1. Farmers who have acquired their lands in the process of Land Reform and the distribution and sale of government estates.

2. Small estate landlords who have opted to divide their lands (and keep their share), in case of their desire and approval of the Ministry of Cooperatives and Rural Affairs.

3. Farmers and small estate owners who are not subject to any of the Land Reform laws and stages and were personally and directly farming their lands when the Supplementary Land Reform Law was approved in 1962.

NOTE - The shareholders shall permanently transfer the absolute use of their lands to the corporate farming company and receive shares in proportion to the agricultural value and elements thereof.

ARTICLE 3 - In areas where corporate farming companies are set up, the Ministry of Cooperatives and Rural Affairs may transfer the absolute and permanent use of cultivated or arid government lands to the corporation, in which case the Ministry will proportionately acquire shares and may use the dividend income to strengthen the corporation or to help the lesser shareholders according to special regulations.

ARTICLE 4 - The Ministry of Cooperatives and Rural Affairs may provide technical and financial assistance

within regulations to owners of mechanized farms and agricultural units of any given area who apply for the formation of a corporate farming company

ARTICLE 5 - Corporate farming companies shall be managed according to a constitution based on commercial principles and approved by the Ministry of Cooperatives and Rural Affairs and by the Cabinet. The establishment, operations and changes of the corporate farming companies will be registered at a special office. The corporations will be legal entities.

ARTICLE 6 - In areas where establishment of corporate farming companies is declared, in the event a minimum of 51% of potential shareholders cited in Article 2 accept membership and the rest refuse it, the Ministry of Cooperatives and Rural Affairs will act on behalf of those refraining from subscription.

ARTICLE 7 - The managers of the corporate farming companies will act as trustees and any misdeed on their part or on the part of officials concerned in connection with the corporations' affairs will be promptly prosecuted with sentences of maximum penalties provided by the law.

ARTICLE 8 - Disputes between shareholders and management will be settled by a three-man committee appointed by the Ministry of Cooperatives and Rural Affairs, and the ruling of these committees will be legally enforceable.

ARTICLE 9 - Shareholders of the corporate farming companies may transfer their shares to the corporation, to other shareholders of the same corporation or to their children with the approval of the corporation's management and the Ministry of Cooperatives and Rural Affairs. No shareholder's share can be less than that equivalent to 20 hectares of irrigated and cultivated land.

ARTICLE 10 - In case of a shareholder's death, the corporation will manage the shares of the deceased shareholder and will divide dividends among the legal heirs of the deceased in legal proportion. Heirs can present one of themselves to the corporation as the deceased shareholder's official representative, or can apply for sale of the shares to the corporation.

ARTICLE 11 - Corporate farming companies will be exempt for 10 years from the date of their establishment from any taxes and charges levied on other companies.

NOTE - Small estates landlords becoming shareholders whose shares exceed the maximum shares held by any farmer family in their respective area will be subject to taxation according to tax laws.

ARTICLE 12 - Shareholder farmers failing to pay installments of their debt in time will have their debts paid for by the corporation against their future profits.

ARTICLE 13 - The Ministry of Cooperatives and Rural Affairs will provide support to the corporate farming companies in their operations by extending loans and gratuitous technical and financial aids out of the government's current or development budgets. The interest rates of the loans extended shall not exceed those of loans extended to rural cooperatives.

ARTICLE 14 - The corporate farming companies' areas will have priority in connection with all rural development operations and projects undertaken by government agencies and organizations.

ARTICLE 15 - The Ministry of Cooperatives and Rural Affairs is authorized to establish with the Cabinet's approval any necessary organizations for providing technical and commercial service to the corporate farming companies. If managed commercially, the constitutions of these organizations shall be approved by relevant parliamentary committees.

ARTICLE 16 - Shareholders failing to discharge their responsibilities in accordance with the corporation's operational plans, may be deprived of membership by the management's decision and the Ministry's approval, their shares being purchased in cash or by installments and offered in the first place to other lesser shareholders and in the second place to the corporation.

ARTICLE 17 - A council will be set up headed by the Minister of Cooperatives and Rural Affairs and with membership of other responsible officials to draw up general policies and plans of the corporate farming companies and rural production cooperatives, to procure necessary funds and to supervise their operations. The decisions of the council will be carried out by the Ministry of Cooperatives and Rural Affairs and the organizations concerned.

ARTICLE 18 - The village councils of villages falling within the areas of corporate farming companies will be

dissolved and a single rural unit council for the entire area will be formed in accordance with village council election laws, to discharge all the affairs and responsibilities of the village councils that it replaces.

ARTICLE 19 - In rural areas where the Ministry of Cooperatives and Rural Affairs finds it necessary to set up corporate farming companies or rural production cooperatives to help redevelopment after natural disasters such as earthquakes, floods, drought, etc., it will determine an appropriate area of operation and will purchase and place at the disposal of the corporation or cooperative all the land, water and other resources within the area. Shareholders will be the farmers of the area and their shares will be determined in accordance with the extent of their previous farming. Similar action may be taken in the case of areas falling within the reservoirs of new dams.

ARTICLE 20 - Lands, installations, standing property, qanats, wells and irrigation equipment situated within the operation area of the corporate farming companies or rural production cooperatives which are not owned or rented by shareholders at the time of their formation will be transferred to the Ministry of Cooperatives and Rural Affairs which will become a shareholder in proportion thereto according to Article 3 of this law. Evaluation of such lands and property and payment therefore to the relevant owners will be made in the following manner:

a. Lands, whether pertaining to village farming lots or mechanized farm lands, will be evaluated by the Ministry of Cooperatives and Rural Affairs on the basis of the Supplementary Land Reform Law of 1962 and its pertinent regulations. Standing property (buildings, trees, etc.), installations, wells and irrigation equipment as well as farming machinery needed by the company will be evaluated by the committee specified in Note 2 under Article 8 of the Supplementary Articles of Land Reform Executive Regulations of 1967. In the case of standing property and installations the price determined will be paid in 15-year installments from the date of transfer with a 6% annual interest, and the price of wells, pumps and related machinery will be paid in cash.

b. Private endowments falling within the operation area of the companies will be purchased in the above manner and the proceeds will be used under the supervision of the Endowments Organization for the purchase and endowment of new property. Public endowment not yet transferred to the

peasants farming them under the Law of Transfer of Endowed Farmlands to Farmers will be leased for 99 years to the corporate farming company or rural cooperative and the rental will be determined and paid on the basis of the net income of the three years preceding the ratification of this law.

NOTE - All documents, agreements or contracts constituting an obstacle to the implementation of Articles 19 and 20 of this law may be nullified by the written declaration of the Ministry of Cooperatives and Rural Affairs.

ARTICLE 21 - The Ministry of Cooperatives and Rural Affairs will sign all necessary documents on behalf of those shareholders or other relevant persons who fail to appear in person in time for signing documents. The Ministry will take similar action in cases of undetermined ownership, inheritance, guardianship, etc.

ARTICLE 22 - The registration offices and the notaries public are duty-bound to follow the instructions of the Ministry of Cooperatives and Rural Affairs in drawing up or cancelling documents related to the operation areas of the corporate farming companies or rural production cooperatives, as are executive and security officials in taking over or occupying property within these areas.

ARTICLE 23 - In connection with uncultivated and arid lands in villages located within farming corporation and rural cooperative operation areas which have been subject to the various stages of Land Reform, action will be taken according to Article 9 of this law.

ARTICLE 24 - Any disputes arising after the determination and issuance of shares will be settled by the three-man committee cited in Article 8 of this law.

ARTICLE 25 - Employees of the Central Organization of Rural Cooperatives or the Agricultural Cooperative Bank elected as management officials of corporate farming companies or rural production cooperatives, will receive their basic salaries and allowances from their respective organization or bank and other relevant allowances and privileges as approved by the council cited in Article 17 out of the project funds. The administrative structure of the Central Organization of Rural Cooperatives and its relations with the offices and agencies of the Ministry of Cooperatives and Rural Affairs as well as the process of gradual transfer

of its responsibilities and authorities to local rural cooperative unions will be determined with the approval of the Minister of Cooperatives and Rural Affairs.

ARTICLE 26 - The Research Center of the Ministry of Cooperatives and Rural Affairs will continue to operate under the constitution approved by parliamentary committees, and any change in its constitution shall require approval of the said committees.

ARTICLE 27 - The Minister of Cooperatives and Rural Affairs is authorized to turn over to any of the Ministry's affiliated agencies the task of carrying out the studies concerning market-regulation and market-finding for the basic products of the corporate farming companies and rural cooperatives as well as non-member farmers.

ARTICLE 28 - All the actions taken up to the approval of this law based on the Law of Corporate Farming Companies of 1968 and its amendments will remain in force.

The above Law was approved by the Senate on March 3, 1973.

E.1

CONFIDENTIAL A-170

ECON-5

Department of State

AMB
DCM
POL-2
POL/M
OR-2
USIS
CRU

POUCH
IOHOR
TABR
16/rlb

DEPT PASS: Embassy ABU DHABI, ANKARA, BEIRUT, DOHA, ISLAMABAD, JIDDA, KUWAIT, MANAMA, MUSCAT, NEW DELHI

E.O. 11652: GDS
TAGS : ECON, ETRD, EINV, EFIN, PFOR, PINT, IR
End of Tour Report - The Outlook for Iran

August 4, 1975

This airgram transmits an end of tour assessment drafted by the financial/economic development officer at Embassy Tehran for the past two years. It attempts to combine both economic and political factors and concludes that, while the economic outlook for the country is very favorable, increasing U. S. involvement in the economy contains the seeds of potential, though probably not serious, bilateral conflict. The outlook for continued even and reasonably good bi-lateral political relations is bright. The conflict between rapid economic growth and modernization vis-a-vis a still autocratic rule, committed to more economic prosperity for the mass of the population and to social--but not political--change, is the greatest uncertainty marring an otherwise optimistic prognosis for Iran. If the country manages to maintain relative stability by somehow working out an evolutionary rather than revolutionary means of liberalizing its system of government, then the long range outlook for its continued prosperity probably is as encouraging as for any developing country in the world.

The U. S. and Iran both need things from each other. Only a radical change in the system of government or a breakdown in the world financial system would seem likely to disturb seriously the present mutually beneficial relationship. The U. S. probably will not exercise much influence over the course of developments in Iran.

Enclosure

HELMS

CONFIDENTIAL

CON:[illegible]:ebl 7/30/75 2127 DCM:JCMiklos

CON:DEWestley POL:HOMills

CONFIDENTIAL

Introduction: The rapid increase in world oil prices and the petro-dollar windfall have wrought such dramatic changes in Iran's economic prospects over the past two years, that one tends to forget that in mid-1973 this already was one of the world's most rapidly developing countries. During the Fourth Development Plan period (March 21, 1968-March 20, 1973), the Iranian growth rate in real terms averaged 11 percent annually. The foreign exchange surplus generated from oil exports at four to five times the 1972-73 price came at an extremely lucky time for Iran. The country was just embarking on a highly ambitious Fifth Development Plan and already had created an infrastructure far superior to that of any other country bordering the Persian Gulf oil pool.

The economic and political policies that Iran has followed over the past two years, from the view point of the country's own national interests, have been rational and almost without exception highly successful. With the significant exception of the Iranian position on the price of oil, the country's policies have not been contrary to U. S. interests. A strong and stable and pro-Western Iran is more likely to remain a reliable ally bordering a long stretch of Russia's southwestern frontier, if its economy remains strong and its people prosperous. Iran is firmly committed to the mixed economy and has few ideological hangups. American and other foreign investment is welcome, on Iranian terms. We dominate Iranian military imports and we are supplying a growing share of its non-military purchases at the expense of Western Europe and Japan. With or without any push from the U. S. Government our interests in this country should continue to grow dramatically.

The Domestic Economy - Booming but Still Bottlenecks: Iran is growing like Topsy. Its current prices GNP for 1975 is estimated at about $61 billion, a growth in real terms of 22 percent over 1974. Estimated current prices per capita GNP of nearly $1,800 this year thrusts Iran into the ranks of the richust of developing countries. It can easily be argued that the jump in oil prices accounts for half the Iranian growth rate, but even without the oil price increase, Iran's economic performance is impressive. There is poverty, but the dire poverty of much of South and Southeast Asia is growing harder and harder to find in Iran and does not exist on a mass scale either in rural or urban areas. There remains a serious income distribution problem, and the gap between rich and poor may be widening. Nevertheless, though the statistical base is poor, most observers think the poorer classes in both city and countryside can perceive their lot to be improving each year.

When compared to the gloomy economic prospects for most of the developing world, one can almost become euphoric about Iran. As bright as the long range outlook is, however, it must be remembered that no one can yet say with certainty that this country, especially after having become accustomed to a much higher standard of living during its oil export boom, will have established the kind of industrial base it will need in 20 to 30 years for continued economic prosperity when the oil export surplus has passed its peak and will be noticeably tapering off. Nevertheless, Iran is moving in the right direction to attain economic growth which can be sustained without a large oil surplus. Its development plan (Tehran A-51) is logical, but the gigantic steel and petro-chemicals industry projects which are the plan's backbone are far behind schedule and for the most part still on the drawing board. The only Free World country between Europe and Japan with anything resembling a self-contained heavy industry sector is still India where steel production began 50 years before it started in Iran.

While Iran's Revised Fifth Development Plan is a reasonable projection, its relevance to what is actually happening in the country is limited. The power of the old Plan Organization (now the Plan and Budget Organization) was effectively ended more than two years ago when it lost the last of its implementation responsibilities. With the GOI's current pullback from some of its more ambitious short range development goals (see below) and the public admission that its foreign exchange resources are not infinite and must not be squandered, the planners may regain some of their lost power, but this is not yet apparent.

For the past year and a half, much has been said about the two major bottlenecks in the Iranian economy--the inadequate port and internal transportation network and the shortage of trained personnel. The Iranians have coped remarkably well with these very basic problems, but they are far behind in their plans to eliminate them. The crash plan of over 18 months ago to turn Bandar Shahpur into the country's major port is barely underway, and the docks there and at Khorramshahr pile higher with goods daily. The railway from Kerman to Bandar Abbas is years away. The highways are choked, cracking from increased truck traffic, and being improved only slowly. Rather than bringing in all of the 721,000 workers which the country is expected to be short of during the Fifth Plan period (ending March 20, 1978), the economy to a great extent will improvise relying on poorly trained Iranians, but thousands of foreign workers will continue to arrive monthly. These already are badly straining available housing and other facilities, and the worst is yet to come. It is a

remarkable tribute to the basic stability of Persian culture and society that the influx of foreigners so far has created so little apparent ill feeling, but serious problems could still develop.

Agriculture continues to lag seriously. The foreign technicians working in this sector are the most discouraged in Iran. Bad weather during 1973 and 1974 was the major reason for agricultural short falls during the first two years of the current Development Plan, but other serious problems are not being solved and no one seems to take the projected Fifth Plan agriculture production growth rate of seven percent seriously. Agricultural policy makers are at odds over the corporate farming/cooperatives/ small farmer approach. A coherent policy for pricing agricultural commodities is missing. The problems of Iranian agriculture are hardly unique to this country and have defied solution elsewhere, but in the meantime demand for a better and more varied diet is rising along with personal income, and the climbing food import bill is bothersome to planners concerned over the country's eventual ability to support itself without an oil export surplus.

Inflation is not responding to control measures such as subsidies of basic foodstuffs and governmental threats to take serious actions against profiteers and hoarders. These may have slowed the pace of price increases somewhat, but a 25 percent annual rate of inflation is now widely accepted as reasonably accurate. This rate is more likely to continue to creep upwards then to decelerate. Here again, other countries have not found the secret of rapid economic growth without serious inflation and one should avoid undue criticism of Iran, but the problem is serious and likely will grow worse. At least the GOI has stopped placing the burden of the blame for the problem on imported inflation from other countries (Tehran 6867), a welcome sign of realism among economic policy makers.

Another indication that Iran's economic decision makers are coming to grips with the realities of the country's situation can be seen in the recent public admission that Fifth Plan development goals will lag behind (Tehran 5491). The motives behind this admission are mixed and include, (1) the desire to spread the notion that the country faces a financial short fall because of oil production cutbacks in order to attempt to justify to world opinion the righteousness of a further increase in the price of oil, (2) the desire to convince Iranian bureaucrats that they do not have unlimited amounts of money to spend, and (3) the need to justify refusals to most of the growing number of supplicants for Iranian aid, but the main reason was simply the necessity of acknowledging the realities of economic development problems and the likely delays which were becoming daily more apparent.

Even though accomplishments almost certainly will fall short of promises, the GOI deserves credit for the steps taken during 1974 to make education both free and universal and to provide national health care. The removal of most school fees gave the real incomes of much of the hard pressed urban middle class a genuine boost. Other serious efforts to come to grips with the income distribution problem and to bring substantial amounts of real benefits of the Iranian economic boom to the poorer classes include the announced plans for corporate and income tax reform (Tehran A-131) and the scheme to broaden ownership of Iranian industry to benefit workers, farmers and the general public (Tehran 6942 and A-163). These plans will be difficult to implement, but they seem bound to have some genuinely beneficial effects and illustrate the leadership's determination to spread the benefits of economic prosperity.

Many problems remain for the Iranian economy, but most of them seem manageable over the long term. It must be remembered that few Free World countries have fully logical and coherent economic development plans and policies. The nature of the mixed economy precludes completely rigid planning. The country's autocratic system of government, the large size of the public sector, and the close business/government relationship ("Iran, Inc." - Tehran A-73) give the GOI some advantages over other less tightly controlled societies to guide the economy. On the other hand, the talents of the managers of the country's economy already are severely strained, and there is an even more serious shortage at the mid-management and technical level of those who should implement economic plans.

At this stage of the game, all of this seems to add up to eventual middle power economic status for Iran. This country by the end of the Twentieth Century should catch up with southern Europe in standard of living and could easily have surpassed all but the largest European nations in GNP, but it will not be among the major economic powers.

External Economic Relations - Implications for the U. S.: The past two years have brought profound changes in Iran's place in the world economy. It is one of the most important members and a prime mover in the most financially successful cartel of all time. It moved rapidly from being a capital importing nation to a capital exporter of some importance. Iran still is classified among the developing countries, and will remain so for many years, but it has moved from being among the better off to among the most affluent of Third World powers.

In terms of U. S. and other oil importing countries' interests, Iranian support of the oil price hike is the most significant factor in its changed economic relationship with the rest of the world. This action has been universally popular throughout Iran. Virtually no Iranian will discuss the subject along any lines other than complete justification of the GOI's policy on oil pricing. It is of course arguable that higher energy prices may not be a bad thing for the rest of the world in the long run because of serious ecological/environmental problems and the finite supply of fossil fuels, but the sudden jump in oil prices can hardly be interpreted in any way other than detrimental to U. S. and other energy deficit countries' short term interests. During 1974, with $2 billion in oil imports from Iran, this country for the first time became one of the major suppliers of petroleum to the U. S.

Like the price of oil, the second most important factor in U. S. relations with Iran--supply of military equipment--also has strong both economic and political overtones. Here the situation is fundamentally different in that we are by far the most important trading partner. The Iranians do not publish trade data which includes import of military equipment, but balance of payments statistics suggest that nearly one-half of some $10 billion spent on imports during the Iranian year ending on March 20 went for military imports. Our own military sales data suggest that about half of this money was spent on U.S.-made equipment. Accurate data are lacking because much of Iranian military expenditure is buried elsewhere in the budget, but current estimates for this year put total Iranian military spending at more than $10 billion or perhaps one-third of total GOI outlay. This enormous sum is less of a drain on the country's financial resources than might seem apparent because the absorptive capacity of other sectors of the economy already is near its limit. More serious damage probably is being done to the civilian economy by the incalculable loss from large numbers of trained personnel and executive talent remaining in uniform. On the other hand, this loss is balanced to some extent by the overall benefits to the economy from the training received by draftees and recruits in the military service who return to civilian life after only a few years.

After oil and military equipment, the third most important category in U.S./Iran trade in 1974 was machinery and transport equipment, but foodgrains are a very close fourth and are rising in importance. Iran probably looks at cereals as the most important thing it buys from the USA after military equipment. Much of the machinery and transport equipment could be purchased elsewhere, but no other country has the massive amounts of foodgrains and many other agricultural products for sale on world markets available from the U.S.

With rising incomes, Iranians expect to eat more and a wider variety of foodstuffs. At the same time, as noted above, the Iranian agricultural sector lags, and the prospect of reaching self sufficiency seems to be much farther than was the case only two or three year ago. Iran is likely to become our tenth largest market for agricultural products this year, and sales of foodgrains should total about $650 million.

At present there are no reliable data either in Tehran or Washington for U. S. investment in Iran. The Embassy currently estimates about $400-$500 million. This is a little less than the total three years ago before the dissolution of the old oil consortium, but it probably is exceeded in only two other Asian countries--Japan and the Philippines. Current prospects for joint ventures, many of which already are in the planning stages, point to good prospects for the level of U.S. investment in Iran to increase by three or four times by 1980. The climate for foreign investment in this country is expected to remain favorable, but the GOI may become even more selective and stricter about requiring foreign investors to play the game only according to Iranian rules. The requirement mentioned above that all private companies, whether or not partly foreign-owned, divest themselves of 49 percent of their shares to workers, farmers, and the general public within five years of their establishment is a good example of the GOI's determination that private companies will take part in what is believes to be socially beneficial policies. Foreign private investors should not expect any kind of special treatment except where tax, customs, or other incentives are offered as part of the original contract in order to attract an industry deemed important to meeting development objectives or to lure a new industry to a backward area of the country.

Simply because we are the best source of supply for most of the sophisticated military equipment Iran wants to buy, the cereals and other foodstuffs it cannot in the short term expect to produce in sufficient quantities to meet rising demand, and much of the plant and equipment to be imported for Iranian industrialization, and can provide much of the equity investment and technology for joint ventures and other Iranian industry, a much closer U.S./Iranian economic relationship seems inevitable. This will occur with or without official encouragement from the two governments. Formalization of the burgeoning economic relationship occurred with the establishment of the Joint Commission for Economic Cooperation in February of this year. The Joint Commission may in some areas mean closer cooperation and a mutually more speedy and beneficial transfer of sales and services, but it is not an unmixed blessing. Bureaucratic intrusion into arrangements which the private sector of one or both

CONFIDENTIAL

countries may be able to make better on its own should be avoided. Most of the $15 billion plus in U.S. sales to Iran projected over the next five years in projects discussed at the March Joint Commission meeting in Washington probably would take place in any case. The already strained Iranian bureaucracy is not responding well to U.S. overtures for the support it should reasonably be expected to provide to American technicians scheduled to enter the country to carry out various projects.

Moreover, there is a real danger that the formalization of U.S. involvement in the Iranian economy under the Joint Commission could become a serious thorn in U.S./Iran relations. Iranian economic development is not going to be a smoothly graded one-way street. Pitfalls and reversals from time to time are inevitable. The foreign power most heavily involved will make a convenient scapegoat, and we probably would be well advised to keep official participation to the lowest feasible level.

Aside from lower oil prices, a growing share of the booming Iranian market, and a continued favorable investment climate, the next thing we want most from Iran is responsible behavior in the international financial system. This country's performance in recycling its petro-dollar surplus thus far has been commendable. While a quite reasonable case can be made that Iran's concessional and other lending has been made only for reasons of its self-interest (either political or economic or both), huge loans at low interest rates have been offered to some of the largest and poorest developing countries such as India, Pakistan, Egypt, and Afghanistan, plus purchase of World Bank bonds and loans to the IMF oil facility. The higher echelons of the GOI seem well aware the country's enormous need for imports for its economic development program cannot be met without the continued smooth functioning of the international financial system. The Iranians can be counted upon, because their own self-interest will remain uppermost in their minds, not to support oil price increases so high that they would seriously undermine the stability of the world monetary system.

The projected durability of the Iranian petro-dollar surplus currently is a controversial subject both within and outside Iran. Borrowing from abroad, mostly for short term export/import financing and from the World Bank for agricultural projects because of the desired technical assistance component in IBRD loans, was never stopped. There probably will be some medium-term financing negotiated with foreign financial institutions for individual projects during 1976, but Iran probably will not become a net importer of capital, given its still large unutilized loan commitments to a

wide variety of foreign countries, before 1977, or later. There are, of course, so many variables in the equation that any prediction or projection of Iran's international financial position is nearly meaningless. The future of oil prices and production levels are uncertain, and no one can predict the rate of increase in imports the Iranian economy will be able to sustain. As noted above, currently the GOI seems to be trying to convince public opinion that the country is poorer than is actually the case. This is a quite reasonable policy from the Iranian point of view, giving the GOI a means of rationalizing support for an increase in the world oil price, and for the other reasons already cited, the most important of which is the necessity of facing up to the reality that many projects will not be finished as scheduled because of supply, infrastructure, and other constraints.

The Political Contradiction: The past two years have witnessed dramatic changes in U.S./Iran economic relations with Iran emerging as an important and much sought after market for American exports and for equity investments in joint ventures. And because of its position on oil prices, the GOI for the first time in the history of our 30-year alliance is taking a position on a matter of great importance which is contrary to U.S. interests. In the basically political sphere, not much has changed in U.S./Iran relations. Iran still looks to us as its chief protector from encroachments by the colossus to the North. Iran still can be counted upon to support most Free World positions in international fora. The GOI welcomes U.S. influence in other countries bordering the USSR and at least tacitly approves of a stronger U.S. presence in the Indian Ocean to counterbalance the Soviet naval buildup in the area.

While the major portion of activity in our bi-lateral relations may be on the economic side, however, the toughest questions to answer in Iran today are political, not economic. The whole economic development/modernization process which is proceeding apace in modern Iran is a contradiction with potentially serious overtones for the future. It is almost impossible to believe that in the long run even as seemingly strong and stable a regime as that in power in Iran can get by with changing the country in only a few decades from a nearly illiterate, poor, and basically peasant society into a well educated, reasonably affluent, modern, and dynamic nation without at some point going through a period of serious political upheaval and perhaps even radical social change. Put in another way, the current Iranian leadership is asking the people to accept modernization in almost every respect while maintaining an autocratic political system which still denies them most of the basic human freedoms taken for granted in most of the advanced Western societies which Iran is striving to emulate.

What the outside observer, of course, hopes for in Iran is political evolution rather than revolution which within a reasonable period of time would bring the country to something resembling a modern constitutional monarchy. Iranians with whom I have discussed this subject will agree in theory, but they are totally devoid of ideas as to how this evolution might be brought about. Few seem to see a viable alternative to the Shah. And, alas, history provides discouraging precedents about the declining years of autocrats. I can recall no example of an absolute ruler willingly loosening the reins of power. The recent establishment of the one-party system removed even the facade of the existence of a loyal opposition to His Majesty's Government. It can be argued that nothing substantive really changed with the establishment of the Resurgence Party, but the portents nevertheless are hardly encouraging for the eventual creation of a more democratic system of government in Iran. With the educated elite seeming to constitute for the most part a passive, non-political body of individuals primarily concerned with making their way within the present system and unable or unwilling to provide the conservative leadership from which peaceful change ideally would come, one cannot help but fear that they are abdicating in favor of the radicals. These are a relatively small and disjointed group, but their ability to perpetrate random acts of terrorism in recent months against both Iranian and American officials is most distressing. Democratic and much better organized and more stable societies than Iran have been unable to stamp out terrorism, but in this country only the disease and not its root causes is being attacked. More assassinations and other acts of terrorism seem likely.

With all of the country's development problems, the economic outlook for Iran seems much brighter than the political prognosis. On the other hand, the country's very successful economic performance probably lessens the dangers of social upheaval. As genuine prosperity becomes more widespread throughout the country, more Iranians have a vested interest in the preservation of something resembling the status quo. The chances of a relatively peaceful modernization experience also are enhanced by the basic stability of Persian society and culture and its traditional respect for authority. In spite of the myriad future political problems appearing in the Iranian crystal ball, the most obvious of which is how it will make the transition on the inevitable departure of the Shah from the scene, the country's chances of avoiding radical change and a debilitating extended period of chaos still seem fairly good.

Possible U. S. Leverage - Can we hope to exert much influence over the future course of events in Iran? Perhaps, but we probably will not. On the surface it would appear that Iran needs us more than we need this country. As noted above, we have easier access to alternative sources of our oil import needs than do the Iranians to the sophisticated U. S. military equipment they have become accustomed to and want to keep purchasing or to the massive foodgrain imports they will need over the next few years to meet rising domestic demand. Iran also wants from us more participation in joint ventures in this country and prefers U.S. banks as the safest place to keep its foreign exchange reserves in short term deposits.

Should we choose to try to use any of our apparent leverage to influence Iranian policies, our first aim probably would be to try to force a more moderate Iranian position on the price of oil. But in this or any other area in which we might try to sway Iranian policies we are limited by our dedication to the free market mechanism. Barring an unlikely radical change in American policies, we probably are not going to interfere with the transfer of technology or with capital movements in either direction or the sale of foodgrains, all of which are mostly managed by the private sector on the U.S. side. Only military sales to Iran remain, and in this area the mechanism already exists for exercising USG control. A relevant argument against restricting sale of military equipment in the past has been that Iran easily could find another supplier from among our competitors. This now is only partly true. To cite one example, no other country at present can supply a fighter comparable to the F-14. We would be unwise, however, to attempt to pressure Iran by forbidding sale of some types of military equipment until we had addressed the broader question of how we might possibly influence other key OPEC members. Since Iran does not act alone in determining the world price of oil, pressure on this country probably would be insufficient to bring results. We also would have to consider restrictions on Iranian military purchases in light of our overall Persian Gulf/Indian Ocean policy.

In any case, putting our own energy house in order probably over the long term is more likely to succeed in arresting the upwards trend in oil prices, if not actually bringing them down, than arm-twisting OPEC members. Given the seeming inability of oil importing nations thus far to act in concert, OPEC members will not be impressed by anything short of accomplishments in developing alternative sources of energy promising enough to reduce noticeably world demand for oil.

CONFIDENTIAL

Other than its stand on oil prices, Iran seems unlikely to take positions seriously harmful to vital U.S. interests, unless there is a radical change in its system of government. The U.S. and Iran will remain natural allies against the USSR. Our interests in the Persian Gulf and Indian Ocean seem likely to remain very similar for a long time to come. And Iran's ambitious development plans are based on the continuing prosperity of the world financial system in which the U.S. is the most important national entity. Iran will not automatically follow the U.S. lead, but it will not openly oppose most of our policies simply because our basic interests still seem to coincide.

UNITED STATES GOVERNMENT

Memorandum

CONFIDENTIAL/NOFORN

The Ambassador

DATE: April 27, 1976

AIDM - Mr. Mills

POL - J. D. Stempel

Iranian Attitudes Toward Foreigners in Iran

As you know, we have been talking with Iranians of various groups and social levels regarding their attitude toward the current and projected foreign presence in Iran. I have reviewed the 26 interviews to date and offer some generalizations and thoughts on the exercise. I believe this memo and the interview reports themselves would be of interest to other selected officers in the Mission and at our Consulates, particularly since there were a number of surprising findings, and I plan to make copies available to them.

1. The Sample.

The number of those interviewed (26) is quite small, and of these, a significant majority are members of Iran's middle or upper level elite. These individuals are far more sophisticated than most Iranians; conversely, their views are also more important than those of the man-in-the-street, since they tend to be opinion leaders. It is worthwhile noting that the concerns expressed by these more sophisticated Iranians are almost wholly absent from the replies of those who could be considered representative of a far greater percentage of Iran's population. Clearly, the "foreign presence problem" affects largely those who have at least a reasonable amount of contact with foreigners.

Many of those interviewed are concerned in a general way about the presence of foreigners in Iran, but not specifically Americans. Remarkably, two-thirds of the group mentioned Pakistanis, Indians, and "East Asians"--Filipinos and South Koreans--as groups which had grown the most (and by inference the groups which had affected them most). Only one-third of the sample said the American presence had grown over the past two or three years. Estimates of the number of Americans in Tehran ranged from a low of 4,000 to a high of 40,000, with a median reply of between 10,000 and 15,000. Only eight of the sample described themselves as more conscious of foreigners' presence than they were two years ago. Several of those interviewed have had extensive education abroad or are married to foreign wives, but this is not uncommon among middle and upper class Iranians.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

2. Effects of the Foreign Presence.

Seven respondents said the current number of foreigners had little or no effect on them. The rest either disagreed or by inference suggested that foreigners did affect them. Several referred to the positive aspects of the foreign presence--increased technological skills, more trained manpower. Over half of the sample said they and their friends considered Americans and other Europeans responsible for the stiff increase in rents over the past two years. Seven cited problems arising from foreign drivers. Surprisingly, only eight mentioned unfavorable incidents, and most of them had to do with "lower class" Americans drinking and brawling in public.

There was a surprising lack of knowledge about special facilities for foreigners. The overwhelming majority of the sample accepted and favored the presence of AFRTS; many who watch or listen do not even consider it a foreign facility. Only two suggested it should be brought under Iranian control, though one other warned that should tensions between Iranians and foreigners increase at some time in the future, AFRTS would be a logical target for attack. Only five people mentioned special facilities for Americans (Commissary and Gulf District), and only two of those suggested there was any envy regarding these facilities. Three suggested that such facilities could become targets of discontent if relations between Iranians and Americans become worse.

3. Ghetto Living Versus Assimilation.

Not one individual supported the idea of special communities for foreigners, although two suggested it would be all right in special cases (Soviet Bloc nationals and for others in provincial towns where new facilities must be built). Well over half the sample (from every level) thought it was as valuable for the foreigners as for themselves to have foreign residences spread out in the community. Only three people suggested any problems with the integrated living, all in terms of possible security threats posed by Pakistanis and Indians gathering together.

Only three individuals thought a doubling or tripling of the American community would pose problems, and two of those related such growth to the lack of adequate housing and shopping facilities. Five respondents thought Iran would gain positive advantages from having more Americans, especially in the technical arena.

4. Conclusions.

Concern over the increasing foreign presence seems to be growing slightly among perceptive Iranians, but there are no serious immediate problems. Several respondents noted that the expansion of the foreign community is concurrent with other national growth. The increased frustrations of urban living affect both foreigners and Iranians. If occasionally the foreigner is blamed for these frustrations, it is not always his fault, and many Iranians recognize that fact.

Those most affected by foreigners are those in the middle of the Iranian socio/economic spectrum. They deal extensively with foreigners on a daily basis and their professional and personal success is bound up with the projects for whom foreigners are hired. The very top elite are less exposed to foreigners. Lower class Iranians care little about the American presence but fear and dislike the Indians and Asians who have flocked to Iran in response to the Persian economic boom.

In a few specific cases, such as in university administration, those with European academic training do resent American ways, if not the American presence, because their American-trained colleagues (and competitors on the career ladder) are begining to reach commanding positions in the Iranian establishment. The success of the American-trained Iranian thus provokes fear and envy in some quarters which is occasionally directed more generally against the American community.

While fears of rising widespread anti-Americanism seem unfounded, the concerns expressed by our interviewees deserve additional thought. Perhaps the most important observation is that in a period of increasing urban frustrations and rising foreign presence, it is more than ever necessary that we send culturally sensitive and mature Americans here. Four or five respondents specifically urged U.S. companies to select their personnel with more regard to Iranian sensitivities. This, of course, would apply to the U.S. Government as well as to private industry.

Since urban life in Iran is becoming more difficult for everyone, and particularly since there is a reasonable prospect of an economic slowdown, it would appear highly desirable to do what we can to hold down the number of Americans coming here. Having said that, it is worth noting that probably most of the points of criticism would have been mentioned if the American presence had been only 1,000 instead of 25,000. The

attitudes expressed in this survey should thus be regarded as a bench mark, not as a definitive description of Iranian thinking.

DISTRIBUTION:

AMB/DCM
USIS
OR
ECON
POL (3)
NEA/IRN
INR/RNA
DEFREP
ARMISH/MAAG
Amconsul SHIRAZ
Amconsul TABRIZ
Amconsul ISFAHAN
CHRON

POL:JDStempel:mjl

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IRAN

Interview February 19 with Dr. Keyvan Saleh in office of Gordon Winkler

Dr. Saleh began to comment on the interview itself by stating that he felt that this was long overdue and he was very pleased to learn that the Embassy was seeking information with a view to some positive action.

Dr. Saleh said that he was definitely aware that there are more foreigners in Iran now than there were two or three years ago, and that the bulk of these are Americans. He said all foreigners, unless otherwise identified, are looked upon as Americans.

Dr. Saleh guessed that there were about 30,000 Americans living in Tehran and was surprised when he was told that the actual number was about half of that. He noted that the American community was growing steadily and said that he understood there will be some 50,000 additional families in Iran in the next three years. He and his friends believe these will be mostly in southern parts of the country. Dr. Saleh said he doubts that his friends could be specific in providing a figure such as 50,000, but they all feel that it will be a very large amount. He said it is his understanding that Bell Helicopter will double the number of people it has in Iran. He added that Pak Dairy would also approximately double its American complement.

Dr. Saleh said that he can always tell a foreigner, and particularly an American. He said this is particularly true when he sees an American from the rear. "You can tell by the hair-cut and you can tell by the cut of his pants," he said. He explained that an American's pants look loose and floppy in the seat because they don't wear them high enough. He also said he and his friends find American apparel very unattractive, particularly the loud clothing many Americans effect, such as bright green shirts, red pants, white shoes and red socks. He termed American attire "grotesque."

Dr. Saleh seemed to distinguish Americans between high-level company executives and American diplomats and those on lower rungs. He said the latter were not simply the mechanics of Bell Helicopter but supposed professionals who come here for a variety of tasks.

When asked if the presence of foreigners has any effect on his life and the lives of his family and friends, he said that this was very definitely the case and that it was a constant source of embarrassment to him. He said, "It is important to me because I am deeply involved with Americans. It hurts me if they are not professional." He said, "I am deeply troubled when I hear Americans who have not been properly oriented about Iran and that is the case with most." He said they often will sit in meetings and

make statements that reveal a shameful lack of understanding of this country. He said that most Americans, he and his friends feel, react negatively to Iran and simply do not assimilate well. "They are here for the fast buck."

"What troubles us," he said, "is that so many Americans are getting embarrassingly large salaries like $50,000 a year and talk about this in front of Iranians. Educated Iranians react negatively to this and feel that these clumsy and bumptious people with minimal professional standing can't possibly be worth what they are getting." One of the problems, Dr. Saleh said, is that many of his friends travel to the United States often and the Americans they meet in the U.S. are vastly different from those that come here and are considerably less professional. He said: "They're not rounded-out people."

He said it is obvious to himself, his wife and his friends that they have psychological problems, the wives are not secure, there is a great deal of bitching, there is a great deal of drinking, the wives are obviously unhappy.

He went on to point out that the Tehran American school is known among his friends as an "Army brat" school that provides a less than effective education. He said it is felt that most of the U.S. children in the school are moved around the world constantly and that they are rootless and lack social values. Both Iran Zamin and Community Schools have much higher reputations.

Regarding special facilities and organizations for foreigners in Tehran, Dr. Saleh mentioned the American Women's Club, Pars America Club and Gulf District. (He was a bit confused about Gulf District and referred to it as "the Castle." After a while, he identified the fact that he thinks Gulf District gets the nickname from the castle on its emblem.)

I asked him if he had any feeling about Gulf District. He said that he did not, but that he did have the feeling that there were an awful lot of hippy-looking kids near Gulf District, including girls thumbing rides. This just isn't done in Persian society, he pointed out.

He said he and his friends had the feeling that the AWC is a clique. "We don't see American women integrated at parties; they don't seem to mix well. They are comfortable in the AWC," Dr. Saleh explained. He said this is not true of Italians, Swedes, Germans and other Europeans, most of whom mix well and speak good Persian. This is never true of the Americans. He said he seldom sees Americans at really high-level social events in this country, but he does see English, French, Belgians and others at these affairs.

Regarding radio and TV, he said he is crazy about the new international broadcasting of NIRTV and builds his schedule around certain programs. (He does feel that the two American moderators are useless and often embarrassing.) He said the English news is much better than the Farsi news. He said it would be no loss to him if American television went off the air. However, he strongly feels that American Armed Forces Radio should continue "except the Okie-type music which everybody hates." He said all of his friends listen to the American Radio Broadcasting and like it. He noted that it is an easy vehicle to help middle-class people learn the language.

In connection with disagreeable incidents between foreigners and Iranians, Dr. Saleh is not aware of anything specifically but he launched into a very strong diatribe about American drivers. He said Iranians realize that they themselves break all of the rules in the book when they get on the highways and the streets of Tehran. "But," he said, "this is our country." He said many Americans, after they're here a while, "drive worse than we do. They go through stop lights, they cross dividing lines and their driving gives us a very strong feeling that they just consider us as peasants." In many cases, Dr. Saleh said, "my friends have pulled down the window and yelled, 'look, this is my country; you can't drive that way and cut me off that way.'" Dr. Saleh is convinced that there will be many street fights precipitated by roguish American driving manners. "The basic feeling," he said, "is that this American son-of-a-bitch is doing well and living well in my country and not bringing anything to the country and now he's driving all over me. American drivers seem to come at you on purpose.

Further on driving, he said that foreign women are terribly aggressive behind the wheel. He noted that all of this driving problem seems to have occurred in the past nine to 12 months; prior to that foreigners were not driving aggressively and manners were excellent. He said the problem for Americans in this whole situation is that all foreigners seem to be driving this way but that "all foreigners are considered Americans. The basic reaction that Iranians have to this," Dr. Saleh said, "is that Americans simply have no respect for us. They think we are dirt."

We got further into this matter and he expressed the feeling that his friends have a strong sense that Americans are here not to help this country but simply to make a fast buck. He more and more hears the question, "What have they done for us?" He noted that there is a strong government push today against the use of any Anglicized Farsi words.

He went on to say that five years ago the American way was the most respected way. American systems were the most desirable systems, whether or not it was in manufacturing or education or management or medicine. By now there has been such a significant buildup of antagonism because

of the presence of the Americans that more and more Iranians are saying "We don't want the American way." Ironically, Dr. Saleh pointed out, American cars, machinery and other manufactured goods are still widely considered to be the best in the world. "Iranians seem to forget that these manufactured goods grew out of the American systems they do not want."

The presence of Americans in public places is a problem. Dr. Saleh does not see it in the restaurants where he eats, because the higher-level Americans frequent those places. However, his wife and her friends sense problems very deeply in supermarkets. "Supermarkets are hot beds of antagonisms," Dr. Saleh noted. He said foreigners have caused prices to sky-rocket in the supermarkets and that when Americans go through a supermarket they clean out everything "like locusts." When the Iranians get there to shop, there is nothing left. He pointed out that he is not absolutely sure this is true, "but what is significant is that people believe it."

He noted that "there is no hope for us in housing," and went on to say that if he and his wife did not have their own home they simply could not live in Tehran. They would have to leave the country. They could not afford to rent a suitable dwelling. He said that all desirable housing has been taken by foreigners. He said the same is true of office space, trained office help and domestic help. "Americans have taken all the chauffeurs and drivers," he said.

Some of the most frightening sections of the morning English-language newspapers, according to Dr. Saleh, are the growing want-ad sections which constitute a daily reminder of the American presence. It is a market place for everything. He opened Kayhan International and showed me the column of want ads printed in the paper "by departing Americans." "They want to sell us everything and it's all junk." He said, "I've even seen ads where they have tried to sell us used underwear." He also noted that prior to six months to a year ago "we never saw ads put in the papers by con artists such as those that are trying to get rich quick by selling land in Spain."

He said it would be a terrible mistake for Americans to be herded into strictly American communities. He noted that even when you drive through the typically foreign or American neighborhoods you do see American and Persian kids playing together in the street. He termed this a heartening factor because there is some visible interaction. He does not feel, however, that placing the American military cadre in a community by itself would create a particular problem. He said he thought it might be useful to get them off the street. His general feeling about them seemed to be negative; he had the erroneous impression that the greater bulk of them were enlisted men "driving down the street in a jeep." He was surprised

when I told him of the high percentage of officers and very well-educated officers who are in ARMISH/MAAG. He noted "In one sentence you have cleared up a problem for me."

In connection with the military, he said that he is convinced that the presence of the large American Air Force planes on the tarmack at Mehrabad constitute a public relations problem. He and his friends are very conscious of their presence and there is considerable conversation and discussion of the huge amounts of food and other excellent goods and products which pour off of these planes "for the American community."

Dr. Saleh continually came back to the matter of lack of American interest in Iran. I asked him how he felt about the ads on American TV for trips to Persepolis or Shush or Golestan Palace. I observed that this certainly indicated an interest in local culture on the part of the Americans. Dr. Saleh denied this and said it is merely sightseeing: "They will go once and then they will forget it." He contrasted this to Europeans who, he said, "when they visit places like this, have a very deep and abiding interest and get into the subject very deeply."

At that point I asked him whether or not he was aware, or his friends were aware, that an American university student had a much wider opportunity in American schools to learn about Persia and Persian history than did students of any other country. He said that he was aware of this, but he doubted if many other Iranians were.

He noted that a particularly important problem area was the Imperial Country Club. He said Americans are now joining in great numbers and swarming all over the place. They seem to join basically for the golf and the movies and, in recent months, old-line Iranian members have been unable to get seats in the movies because the Americans are "sprawled all over the place." I asked him why the membership committee at the Imperial Club didn't keep the Americans out; they certainly didn't need their money. He had no answer.

Dr. Saleh concluded by saying that he and his friends are very concerned about the future. They feel that there will be many more problems coming to Iran with the increasing number of Americans. "We find it stifling as we look ahead, because we see more of the same kinds of Americans coming in, the quasi-professional who has no feeling at all for the country, quickly establishes a negative attitude, wants to make his money in a hurry and then get out."

Student Interviews.

Two Iranian students in my class at RCD College (which includes Iranians, Pakistanis and Turks), saw an increase in Asians in Tehran. They did not feel there had been much of an increase in other foreign groups and found it difficult to distinguish Americans from other Western Europeans and Scandinavians. Their principal concern about the effect of foreigners was whether they would take places in universities that Iranian students might fill. Neither was aware of any special facilities for foreigners, other than Hindu temples and some Christian churches. Both thought it was better not to segregate foreigners in one area. Both students appeared uninformed and uninterested in the American presence in Iran.

A 24-Year Old Iranian in Business.

Reza sells traffic equipment and other civil engineering gear for a small Tehran company. A graduate of Pahlavi University, Shiraz, he has lived in Tehran four years and has noted a slight increase in foreigners. By category there are many more Indians and Pakistanis in Tehran now because "Iranians used to go to the Persian Gulf Emirates to work but now the whole sub-continent is flocking to Tehran to take advantage of our oil money." Reza believes there are slightly more Americans in Tehran than there used to be but is unaware of special facilities for foreigners (although I know this individual and his wife occasionally watch AFRTS television, Reza never mentioned it, despite attempts to draw him out). Reza believes foreigners should not be segregated by ghetto because in the case of Arabs and other sub-continental individuals, this might create security problems for the Government of Iran. He thought special housing projects in provincial cities were all right, as long as the contrast with local life was not too glaring.

POL:JDStempel:mjl

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR 101-11.6

LIMITED OFFICIAL USE

UNITED STATES GOVERNMENT

Memorandum

TO : Political Section

DATE: February 19, 1976

FROM : Econ/C - Lange Schermerhorn

SUBJECT: Political Special Project - Iranian's Views on the American Presence in Iran

A comment from a prominent Iranian woman on American presence in Iran may be of use preparing your report.

Mrs. Farhang Mehr, wife of the Chancellor of the university in Shiraz, turned to me in a group conversation last night and said Shiraz is becoming full of Americans, mentioning in particular a recent influx of American citizens under contract to Westinghouse. She asked "Why doesn't the company choose a better type of person? The children all run wild", and proceeded to cite some examples of youthful behavior which irritated Iranian neighbors of the American families, including 10-11 year olds smoking and drinking beer in public. Mrs. Mehr said she had personally gone to one set of parents and asked them to monitor their children's behavior and if they were unable to do so, suggested they move to another area. She said the family has now left (whether out of the country or to another apartment and whether at her instigation was not clear).

COMMENT: Unfortunately, many employees are not carefully screened with regard to personal life style and there is some question whether companies would believe that they should exercise such screening even if the general principle of well-behaved, easily adapting American employees is deemed desirable. If plans for development in Isfahan and Shiraz proceed as had been widely discussed, there will be a much greater influx of Americans and presumably comments similar to Mrs. Mehr's will be increasingly prevalent unless serious orientation and screening efforts are undertaken by recruiting companies with or without some form of USG assistance.

ECON/C:LSchermerhorn:gj

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IRAN

Interview with Dr. Kadi Heravi, American-educated Political Scientist on the Faculty of National University, and now seconded to Razi University as Vice Chancellor. Interview was at lunch in a restaurant.

Professor Heravi said that he is not now more conscious of the presence of foreigners in Iran than he was two or three years ago, but he is more conscious of their presence than he was ten years ago. He estimated that there were about 8,000 Americans currently in Tehran. He says that he can usually identify an American from other foreigners but is not sure how he is able to do this. He feels that it is based on his own extensive experience in the United States.

Dr. Heravi, interestingly enough, commented that he and his friends are increasingly aware of the presence of Russians in Iran. He said this is particularly true, of course, of his friends in Isfahan. Some of them seem to feel that the Russians have taken over that city. However, he personally also senses a considerable growth in the Russian population in Tehran and is very much aware of increasing activity on the part of the Russian Embassy, both socially and in other ways.

When asked if the presence of foreigners has any effect on his life, Professor Heravi said, "Yes, I enjoy their presence here. I like being with them." He did say that there is no question that people feel that prices are up considerably and that all of the criticism is levelled at the Americans. "You are getting 100% credit for the increase in housing prices," Heravi said. He pointed out that he knows of one instance where an Australian moved into a house and got it because he bid the price up double and when people heard about this, they referred to the Australian as "that American who got the price of that house up." Professor Heravi feels this may very well date back to the Point Four days when Americans would come in and rent a house that normally went for about $100 for as high as $175-$200. He said, "Those kinds of prices were nothing in your own country in those days but they were terribly high for us, and the reputation of Americans running up prices may very well date to that period."

When asked if he could identify certain special facilities for foreigners, he listed Gulf District, the Tehran American School and the American Hospital. He has no particular feelings about any of these places and he said that the only comment he could make regarding Gulf District is that he has the sense that more Iranians would like to go there and use the facilities. However, he felt that this would not be a useful idea because the mingling in the bar would lead to "all kinds of trouble."

Dr. Heravi said that he never watches television "either American or Iranian." However, he said he listens to the American radio station regularly in his car because, "I am more at home with this broadcasting than I am with the Iranian broadcasting. The quality is, to be sure, not as good as it is in the United States but I like it more than the Farsi broadcasting because I do not feel it has the same falsification."

He went on to say that credibility is the principal problem of National Iranian Television, although he did add that a number of his friends have spoken positively about the new international broadcasting on Iranian television. He said many younger people like to listen to the American radio station because the music is more up to date and more widly than that of the Iranian station.

On the other hand he said that it is true that a number of students, particularly the left-wingers, feel that the presence of the American television station is a means "of colonizing" the country. He said that a number of his students have mentioned this to him.

When I asked him if he thought it would be wise from the standpoint of Iranian-American relations to eventually eliminate this broadcasting, he thought for a moment and said, "Well, if you eliminate it, then these young students will simply find something else to complain about and refer to as American imperialism, such as your magazine or your Cultural Center."

He could recall, when asked about disagreeable incidents, the "unfortunate knifing of the American boy in the bar in Saltanatabad" and an altercation in the hotel lobby involving an Iranian who felt that a foreigner was staring at his wife. However, Professor Heravi was not sure whether or not the foreigner was an American. He said he supposed that there was an increasing number of incidents with the increasing presence of foreigners in Iran--but he was rather vague on this.

He personally is not conscious of the presence of the American military but the more leftish and liberal students are definitely conscious of it. "The younger generation feels the presence of the American military here," he said, and added that he has heard a number of comments on this from students.

Dr. Heravi, when asked about driving, said that it is certainly true that Americans are "beginning to drive like we do," and many Iranians are commenting on this. He said that the general feeling is that "the Americans pick up our bad habits too fast and do not pick up our good habits." He did seem to feel that some Iranians, even though they recognize that they themselves commit the same traffic infractions, will accept it from other Iranians but get rather uptight when they see the infractions committed by Americans.

Professor Heravi does not feel that there is a problem about the way Americans dress and "as a matter of fact, our kids try to dress in the same way." He added that this does, to a degree, bother some of the older and more tradition-minded Iranians who, when they see their kids in blue jeans and with long hair, tell them, "You only pick up the bad habits of the Americans."

I asked Professor Heravi what were some of the good habits of Iranians that Americans fail to pick up. He seemed to be rather hard-pressed to respond to this but finally said, "Well, our overpoliteness." He mentioned that when tea is served in offices and in other locations, the host expects the guest to accept the first cup but at the same time anticipates that the guest will ask the host to take the first cup. There is this tarouf business in any kind of personal interchange, Dr. Heravi said, and in the tea situation the host often expects a "little dialogue."

Dr. Heravi also pointed out that a number of Iranians have mentioned to him the very unattractive habit which Americans have of putting their feet on tables. This is strictly prohibited in Iranian culture.

When asked about Americans living in specific compounds, Dr. Heravi said he would be completely against this. I pursued the matter somewhat and asked him how he would feel about the relatively small military contingent in Tehran being moved into a compound of its own. He said he thought this would be a terrible mistake. He said the military is now spread around in the northern part of the city and nobody really is terribly aware of it or notices it. "If you put them off into a community by themselves, they will become easily identifiable and people will be continuously aware of their presence. This will further remind people of the Iranian military buildup and the amount of money that is being spent on it. It would be a very serious mistake," he said. He added that people would probably be envious of what would obviously be an attractive American community.

This led into a discussion of the American commissary. Professor Heravi said there is definite envy of the Americans because they can get a variety of merchandise which is better than is available to Iranians on the market here. He said that the Iranians who were most envious of this are those who have been educated in the United States. He said he was under the impression that anyone with an American passport had access to the commissary. I explained to him that this was not the case.

Generally, Dr. Heravi does not feel that there is a significant presence problem for Americans today. When we talked about the possibility of a considerable increase in the American presence, he said that he felt that it was important that they be dispersed throughout the country. "If this large a group is going to be concentrated in one metropolitan area, even one as large as Tehran, there is potential for trouble."

He added that there is one group today which is very conscious of the American presence and critical of it. That is students generally. It is very common to hear them state that "all these Americans are just here to make a lot of money and they are not doing anything for us." There seems to be an awareness that a number of them are retired military who get good pay and do nothing. There also is a feeling among the students that a very high percentage of the Americans are CIA.

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IRAN

Interview with Journalist Shaul Bakhash on February 22 at lunch in a restaurant

Mr. Bakhash said he felt it was a very good idea for the Embassy to begin probing this subject. He said, in response to the question as to whether or not he is conscious of the presence of foreigners, that he definitely is, particularly in shops, restaurants, on the ski slopes and other public places. He is particularly aware of them because he lives near Mirdamad and Jordan Avenues where a lot of foreigners are moving in.

However, as Mr. Bakhash answered the questions, it occurred to both him and to me that neither he nor most of the people to whom we are addressing these questions are the best possible interviewees. These individuals, Bakhash suggested, are ones who have had considerable experience in Europe and the United States and therefore the impact--positive or negative--of foreigners on them would be much less dramatic than on Iranians who have never had an overseas experience.

When asked how many Americans he thought lived in Tehran, he guessed 20,000. He said he can usually tell if a foreigner is an American by his accent or mannerism. When asked if the foreigners had an effect on his life, he suggested that there was one positive effect. A grocery store in his neighborhood is now a supermarket which caters to foreigners. It has a large number of items that would not ordinarily be available. In this way Bakhash's life is somewhat enriched. He commented at this point that he has heard the Prime Minister say that he much prefers the traditional Iranian shops to the supermarkets because the supermarkets have such a wide assortment of goods that they are increasing the expectations of the population and he, the PM, hopes the government will continue to be able to meet these expectations.

In discussing reactions to the foreigners, Bakhash said that he felt that the most negative had to do with rents. He said the escalation in rents is blamed completely on the foreigners and it is now almost out of sight for most Iranians. He says he occasionally hears negative comments about foreigners and cited the long waiting lines for the tows at the ski slopes as one place where Iranians are saying such things as "I don't go to the Alps; why do they have to come here and clog up our tows?" He also noted that the presence of foreigners has accentuated the servant problem and there is a general crowding of facilities which are ordinarily patronized by the upper classes.

As far as special facilities for foreigners, he mentioned the U.S. Commissary several clubs and Gulf District. However, he does not feel that the

presence of these facilities are as negatively looked upon today as they were some years ago. Then most Iranians were envious of the special items which could be obtained in these places. Today such items, foods, etc. are available for most people.

Far and away the most serious concerns have to do with the feeling that foreigners are paid much more than Iranians for the same kind of work and for the same kind of qualifications. He said you hear this very often. He cited cases of consultants bringing in staff members from abroad--Europe as well as the United States--who replace Iranians with the same qualifications, and in some instances, who attended the same universities. This is an almost universal complaint, Bakhash said, among qualified and educated Iranians.

Bakhash also noted that there is increasing differentiation by Iranians of types of foreigners. He said that he frequents the Tehran Club which is English-oriented and he notices that the bar today is full of Englishmen of less education and with poorer accents than the English who used to be there. He said these are simply technocrats who come here to make money quickly. He said the same situation prevails with Americans.

As far as radio and television are concerned, he personally doesn't watch or listen. (He is loyal to the printed word.) However, he said that many of his friends do see American television. At this time he does not feel that there is necessarily a problem about "cultural imperialism" in having a foreign broadcasting operation on Iranian soil, but he did suggest that if other strains and problems do occur, either on a people-to-people or a government-to-government level, the potential problem of the presence of the Armed Forces Broadcasting studio could be exacerbated.

Bakhash also offered the following positive point. He said he had a talk with Houshang Mehr Ayin, the Editor of Kayhan International, following Mehr Ayin's recent visit to the Iran America Society which resulted in the very positive editorial. Mehr Ayin commented to Bakhash that "because I believe so strongly in democracy, I want things like the Iran America Society in this country. Establishments like that help to preserve human dignity and are in a sense a protection for us."

Bakhash was not aware of any disagreeable incidents between Iranians and Americans. He was sensitive to the way Americans are driving in traffic these days and did feel that American aggressive driving could possibly lead to some problems. But he does not feel this strongly.

When asked about putting members of the foreign community, or perhaps a segment such as the American military, in a separate community, he said he would be absolutely against this. "This is the worst thing you could possibly do." He pointed out that he is not aware of any military presence in Iran and he said this would be the best way to identify it and call attention to it. He said, "You would not only be doing that but you would

obviously be creating jealousies among many Iranians because the American community would undoubtedly have all types of facilities and accommodatio

When asked how he would feel about a tripling of the size of the American community, Bakhash looked glum and said that we ought to be very, very careful about this. He again repeated that we are wise to be looking at this now and noted that Americans really are noticeable and aggressive people and that there could seriously be problems. "You should try to lim the size of the overall American community," he said. He added that the community today has not reached a saturation point and that he could not guess what the saturation point might be, "but there is one." The level of the saturation point would depend on government-to-government relations or changes in them. "If certain high-level strains continue, this can affect the level of the saturation point." He also noted that if internal tensions grow, if the economy becomes less buoyant, if shortages develop, there could be problems. He noted specifically that if an unemployment situation arises among the Iranian people, this could cause serious tensio as the American community grows because people would assume that the Americans were taking their jobs. "This could be the most serious situat of all," he said.

He also made the point that no matter how cosmopolitan Iran becomes, the Iranian mentality is basically provincial. He said, for example, if an Iranian goes to England or the United States, the citizens of those countries really are not concerned whether or not the Iranian has an under standing and an appreciation of English or American culture and history. Here it is different. Here there is a self-consciousness and a concern that people understand this country and have a respect for it. He felt, therefore, that any efforts that can be made towards orienting newcomers to the culture and traditions of this country must be made. But he continuously got back to his concerns about an American community three times the size of the present one and said steps should be taken to do something about it and "my government should be as concerned about this as yours."

MEMORANDUM TO THE FILES UNCLASSIFIED February 24, 1976

FROM: POL - Archie M. Bolster

SUBJECT: U.S. Presence in Iran--Sharim Chubin

As an Iranian educated abroad (including a Ph.D. in International Relations from Columbia), Chubin is not necessarily an unbiased observer. When he returned to Iran to join the staff of the Institute for International Political and Economic Studies, Chubin could speak some Persian but could not read or write it. Thus, he may be more sympathetic to the problems foreigners have living in Iran.

Chubin observed that Iranians are generally tolerant of foreigners and have grown used to seeing many of them in Iran. Europeans and Americans are more obvious than other foreigners, and particular attention is paid to the Americans because more Iranians realize that the U.S. has the greatest influence on events in Iran. A major resentment which professional people in Iran have against Americans is that the salaries paid American experts are often far larger than those paid to Iranians, even when many have been educated in some of the same universities. Another complaint leveled specifically at Americans is that more and more the people who arrive have been poorly briefed on Iran. They are "mercenaries" who are here solely to make money and do not make any attempt to understand Iranian views. Chubin did not feel that the special facilities for Americans were particularly noticeable in Tehran.

Both Sharim Chubin and another colleague from the Institute who was present during part of this conversation (Fereidun Fesharaki) thought that Iran's dependence on foreign advisors would continue to grow. This was true particularly in the context of Iran's purchase of complex weapons systems which are beyond the capacity of Iranian technicians to maintain. Both men saw this development as a serious problem in Iran-U.S. relations, because Iranians had generally expected their dependence on foreigners to decrease gradually over the years. If this did not in fact take place, it would lead to serious frustration and then to increased xenophobia focused particularly on the U.S.

POL:AMBolster:mp

UNCLASSIFIED

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum LIMITED OFFICIAL USE

TO : Econ/Mr. Brewin

DATE: March 10, 19

FROM : Econ/D. R. Patterson

SUBJECT: Iranian Attitudes Towards US Presence: Interview with Barry Chubin of NIOC

The subject responded to the questionnaire as follows:

1. He is not more conscious of the presence of the foreigners in Iran now that he was two or three years ago, except for the greatly increased number of visitors. The nationalities he notices most are English, American and French. He thought about four thousand Americans lived in Tehran, but when questioned further, indicated that it had not occurred to him to think of dependents, but only the number actually employed. He had no impression as to how many dependents there might be. He said he could definitely tell when a foreigner was American because "I grew up with them, I know how they walk, talk, dress and so on."

2. He said he was not at all aware that the presence of foreigners has had any particular effect on his life or those of his family and friends. In general terms, he said, he finds foreigners "a pleasant addition" to the Tehran scene.

3. He said the special facilities for foreigners of which he is aware are Gulf District and the Commissary. He said he is glad such special facilities are available to the foreigners and only wishes at times that he could have access. He insisted, however, that he felt no resentment at all about the existence of the facilities. He said virtually the only radio and TV programs he listens to are those broadcast especially for Americans and he most definitely thinks such broadcasts should continue. He said he had heard of disagreeable incidents between Iranians and foreigners, but with one exception could remember no details of any particular story. Rather, he had a general impression of having heard a certain number of tales of drunken fights. The one exception related to two visiting Americans who variously identified themselves as working for the Hudson Institute, ABC, and a Japanese Government agency. Some time ago USIS sent a cable to Washington about this incident, in which the two visitors told Mr. Chubin in his office that because of high oil prices "You may look out this window one day and see the sky filled with airplanes and pilots. This incident has remained vivid in Mr. Chubin's memory. As to foreigners living in Iran, however, Mr. Chubin said his impression was that he had heard fewer comments on disagreeable incidents

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

than he had a few years ago. He admitted, however, that he may be hearing less because of some change in his awareness or pattern of living.

4. He feels that it is definitely better for both foreigners and Iranians to have the foreigners live on the economy rather than in separate compounds. The compound approach seemed to him a kind of "self ostracism" and added that "if you draw a borderline around an identifiable group, they become a focus of attention and possibly of resentment." He said his answer would not be different in the case of large groups of foreigners being settled in provincial towns. His reaction, if he heard that the number of foreigners in Iran might double or triple in the next few years is "no problem."

Like all the Iranians I know, Chubin does assign a large share of blame to foreigners for the wild bidding up of rents. He well understands that the underlying problem is one of supply, but though recognizing the practical difficulties of such an approach, expressed the wish that all foreign communities would get together and agree on guidelines for maximum rents they would pay. He also shares the almost universal view that Iranian landlords discriminate against potential Iranian tenants (out of fear that the Iranian tenants will remain indefinitely in a house or apartment) in favor of foreigners.

Chubin speaks from a rather special personal and philosophical background. He emphasized, for example, that he believes very strongly that for differing groups to mingle and become acquainted with each other is necessary and healthy. Chubin, however, has been educated in England and the United States and in fact lived most of his life in those two countries. His English is native and is, in fact, somewhat better than his Persian. While his case is extreme, it seems to me that many of the people on the list of potential interviewees tend to be his sort of person. If this is true, I fail to see the worth of this exercise. I remain convinced that most of this society remains highly traditional, rather deeply religious, and somewhat xenophobic.

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

LIMITED OFFICIAL USE

TO : Econ/C - David E. Westley DATE: March 15, 1976

FROM : Econ/C - Lynne Lambert

SUBJECT: Iranian Attitudes Toward U.S. Presence: Interview with Mr. Rahimi Nedjadi of TTT Shipping Services

Subject response to questionnaire as follows:

1. He is more conscious of the presence of foreigners in Iran than he was two to three years ago. However, he believes that the presence of foreigners is beneficial, since they provide necessary technology for Iranian developmental programs as well as skilled labor, which is in short supply, particularly in the construction sector. He believes the presence of foreigners who have previously lived abroad in other countries is more beneficial than the "off the ranch" variety, and he feels those foreigners (unfortunately too few) who participate in local events and who adopt a few Iranian customs have a better tour in Iran and are appreciated more by Iranians. He believes that Americans and South Koreans constitute the predominant foreign resident community and he believes about 10,000 Americans live in Tehran. He claims he can identify an American immediately by his appearance, dress and demeanor. He can also identify northern Europeans versus southern Europeans, but is unable to tell the precise country of origin.

2. The presence of foreigners does not have any special effect on his life or the lives of his family or friends. The only special facility just for foreigners that he is aware of is the American commissary, about which he has no opinion. He listens frequently to American radio and television programs, hopes they continue, and wishes they would improve in content. Mr. Nedjadi's children attend Community School and listen to American broadcasts to improve their English.

He is aware of disagreeable incidents between Iranians and foreigners. He claims that most of the incidents have involved "low class" Americans who tend to drink in excess which results in aggressive behavior toward Iranians. Such incidents have increased over recent years, but involve a small minority of Americans resident in Iran.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

3. Mr. Nedjadi believes that foreigners should assimilate with the local population, because both have much to learn from the cultural habits of the other. He believes that spearate compounds would create a cultural problem and would eliminate the benefits of international exchange. His attitude toward separate compounds is the same for Tehran, Shiraz and other provincial areas. He would welcome a large foreign community in the next five years particularly if it is a community which can train Iranians in necessary skills and can assist the Iranian development program. He would urge that a greater degree of cultural orientation be given to newcomers and that only those foreigners who are really interested in international living and learning about Iran be selected for assignments here.

ECON/C:LLambert:gj

OPTIONAL FORM NO. 10
JULY 1972 EDITION
GSA FPMR 141 CFR) 101-11.6

UNITED STATES GOVERNMENT

LIMITED OFFICIAL USE

Memorandum

TO : POL - Mr. John Stempel

DATE: March 15, 1976

THRU : E/C - Mr. David E. Westley

FROM : SCIATT - Albert S. Chapman

SUBJECT: Informal Survey of Iranian Attitudes Toward Increasing Foreign Presence in Iran

MR. BEHROUZ SHAHANDEH

Answers to the questions were as follows:

1. Yes, he was more conscious of the presence of foreigners in Iran now than 2-3 years ago. Obviously, Americans, but he has noticed also Germans and recently East Asians. He estimates that there are about 10,000 Americans in Tehran. Yes, he can usually tell if a foreigner is American or not, by his appearance (clothes -- color of his shirt), mannerisms and voice.

2. No, the presence of foreigners does not have a direct effect upon his life or the lives of his family and friends. Indirectly, however, the presence of foreigners does affect Iranians, most specifically it produces a housing shortage. It is his impression that when large foreign corporations were establishing themselves in Tehran in recent years, they aggressively sought housing and transportation, driving the costs of these quite high. Many Iranian landlords prefer to rent to foreigners because they can repossess their properties soon again when the foreigners leave. The only special facility exclusively for foreigners that he knows of is Gulf District. He is indifferent to its presence, but he feels it helps to isolate Americans. He feels that such facilities tend to produce reactions from the Iranian people. He frequently listens to American radio and TV programs. Of necessity he spends considerable time in his car and always has the radio tuned to the American station, presumably for the music. He also likes to watch American sports and movies on the TV. (Mr. Shahandeh spent many years in the U.S.) He is aware of disagreeable incidents between the Iranians and foreigners, most particularly the problems arising out of apartment living - loudness, misunderstandings due to the language barrier. He mentioned the British in particular, but he feels all foreigners have these problems, and more frequently during their special national days. He believes these incidents have increased because he hears more complaints.

LIMITED OFFICIAL USE

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

3. He doesn't like segregation of foreigners into compounds where they would live, work and play. He believes this creates animosity on both sides, although it might initially reduce friction. Such compound living indicates that neither the foreigners nor the Iranians accept the other people. If large groups of foreigners were to be settled in provincial towns, he would not object, just so long as there were not great numbers of them. He believes foreigners are losing the natural welcome which Iranians used to give them, because they are exceeding the ability of existing facilities to care for their needs, most particularly housing. If the number of foreigners were to double or triple during the next five years, he would not like it. Facilities for them are already tight, producing tensions with the local inhabitants.

SCIATT:ASChapman:ej 3/15/76

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum LIMITED OFFICIAL USE

TO : POL - Mr. John Stempel DATE: Mar 15, 19

THRU : ECON - Mr. Brewin

FROM : SCIATT - A. S. Chapman

SUBJECT: Sampling Iranian Attitudes Towards US Presence:
Interview with Ali Ghazi, Head, Remote Sensing and Data Division,
Plan and Budget Organization
Government of Iran

1. Mr. Ghazi said that he was more conscious of the presence of foreigners in Iran now than he was two or three years ago and was most aware of Americans, but that he was conscious that there are fair numbers of Europeans here. He would judge there are more than seven thousand Americans living in Tehran. He said he could usually tell whether a foreigner was an American or not by his accent, his height and his dress.

2. No, generally the presence of foreigners has not had an appreciable effect upon his life or the lives of his family and friends. He qualified this, however, by saying that he worked closely with an American firm and their families visit each other socially. Generally, however, Americans tend to move in their own circles. He was also aware that there are special facilities for foreigners in Tehran. "I know, for instance," he said, "that there is an American Club up near Darrous"(but he did not know the name of the club, and he was not aware that Persians could also be members of the club). "I do not feel that these clubs have the right to be exclusively foreign. This would not be allowed in your country." He said he often listens to the American radio because both he and his wife like pop music. "However, we do not listen to the American TV because it requires a special antenna." When asked if he thought the American radio and TV should be allowed to continue, he hesitated and then said he thought they should be under the supervision of NIRT. When asked about disagreeable incidents between Americans and foreigners living here, he said he had heard of a lot of such incidents. He explained that he generally thinks of two broad categories of Americans in Tehran: "The well educated ones do not present any great problem, but in some instances laboring class Americans and GI's are unable to talk reasonably (logically) with Iranians and sometimes the tone of their conversation is unpleasant. He was not aware that foreigners other than Americans were involved in disagreeable incidents, but he presumed that there were problems also with other foreigners. He felt that such incidents had decreased a lot in recent years.

3. He felt strongly that foreigners living in Tehran should live dispersed throughout the city because otherwise their isolation from Iranians would be further increased, therefore lessening chances for contact and increasing friction. He continued to advocate dispersion even if large groups of foreigners were settled in provincial towns for the same reasons. He even preferred dispersion of foreigners if the numbers doubled or tripled in the next five years or so because he feels that Iran requires modern technology from the West and foreigners must come to Iran to get modern enterprises going. "Effective transfer of modern technology to Iran can only be done if the foreigners live in harmony with the Iranians and compound living would not promote the kind of contact needed for this."

Mr. Mehabi, street cleaner who works just south of Naderi Street.

This individual was between 55 and 70 and has worked for about 25 years at his present job. His somewhat unique views do not really fit the intellectual framework of our survey, but as they may be representative of a great many "average" lower class urban Iranians, I am including them:

Mehabi thought there were probably more foreigners in Tehran now, though it was hard to tell, since there were so many more people generally. Everybody was messier, too; especially the young Iranians who threw stuff out of cars. At least the foreigners ("khoragee") did not mess up the streets. No, foreigners did not bother him very much; they were not nearly as bad as some officials he knew, and he wished some Americans would move into his district, since his friends from Abbasabad said they tipped pretty well. "Who cares where foreigners live? I've got problems of my own." (This last sentence was said in a tone of voice which suggested that the interviewer must be slightly crazy, if otherwise harmless, so we parted on friendly terms.)

POL:JDStempel:mjl

TELEPHONE: 40501, 47140, 47438

انجمن ایران و امریکا

ACADEMIC CENTER
کانون تعلیماتی

THE IRAN-AMERICA SOCIETY
75 VESALE SHIRAZI AVE.,
TEHRAN
خیابان وسال شیرازی
شماره ۷۵ تهران

Informal Survey of Iranian Attitudes Toward Increasing Foreign Presence in Iran

The Director of Courses interviewed an Iranian part-time teacher of English following the format suggested by the outline supplied. The person interviewed was most cooperative and appeared extremely pleased to have a chance to express himself on the subject.

1. He said he was definitely more conscious of the presence of foreigners in Iran than he was two or three years ago.
   - Americans
   - 10,000
   - no
2. He stated that the presence of foreigners does have an effect on his life and the lives of his family and friends.
   - He and his friends can't find apartments at a reasonable price. Landlords prefer foreigners because they pay the high rents and vacate the apartments within a limited time.
   - When groups of Iranians attend nightclubs, etc., foreign males frequently ask the girls to dance. He stated that this is completely unacceptable to Iranian males. He cited an instance at the Hilton Hotel when this occurred with his group and said that they were all secretly indignant, but did not react violently.

- Yes. He stated that he did know of facilities just for foreigners in Tehran. He named the Evin Hotel as one such and said that one section of the hotel uses only dollars as the currency. He also named the Bowling Alley as another such facility which charged Iranians an entrance fee and didn't charge foreigners. This, he said was changed with price control.

- He expressed a strong resentment against such practices, saying that he "hates the idea."

- He does listen to the radio and TV programs broadcast especially for Americans. He did not express negative feelings about AFRTS, but said that he and his friends question the idea of the program in English on National Iranian Television. They also resent the fact that television programs in English run later than programs in Farsi. He also mentioned the fact that with only one FM station in Tehran, too much English programing is used.

- He considered the constant complaining of foreigners about the traffic an example of disagreeable incidents and said "all they do is complain about the traffic and housing, make a lot of money and depart from Iran much richer."
- Foreigners involved are not from any particular country. (I think he meant Americans, however, since most of his foreign associates appear to be American)
- He thinks incidents have increased and predicts that they will increase.

3. - Yes, he thinks it is better to have the foreigners live and work with Iranians - very definitely.
   - No his answer would not be different if large groups of foreigners were to be settled in provicial towns.
   - He would be upset if he kheard that the number of foreigners might double or triple in the next five years or so.

Comments

I received the impression that the man interviewed was happy to have the chance to express his views and that he resents the increasing number of foreigners. He mentioned also that according to his friends, foreigners receive much higher salaries than Iranians for the same work. He emphasized that Iranians look western in dress, etc., but that this is a superficial resemblance only.

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

LIMITED OFFICIAL USE
(N/A)

TO : POL - John Stempel

DATE: March 16, 1976

FROM : ECON/C - David E. Westley

SUBJECT: Iranian Attitudes Toward U.S. Presence: Interview with Mr. Mike Pishvaian, Diesel Auto Parts Business Executive

Mr. Pishvaian reported that he was currently more conscious of the presence of foreigners in Iran and was most aware of Americans. He estimated that some 40,000 Americans live in Tehran. He asserted that he could easily spot an American by his clothes, speech and actions (for example, an American's eating habits—method of handling his silverware and the fact that if he wished to skip a restaurant course he would proceed to the next course without waiting for his eating companions to finish).

Mr. Pishvaian indicated a belief that the presence of foreigners had an effect in hoping to introduce new and useful ideas and raise living standards through such things as the introduction of new foods.. In the latter respect, he cited the impact of new dietary habits introduced by Americans on the health and size of the post-World-War-II Japanese.

Pishvaian was aware both of the commissary and USAFOOM and Peykan Clubs and that they were restricted to Americans. He felt no resentment for himself or the Iranians—Americans were entitled to them if they wanted them—but felt strongly that they unfairly discriminated among Americans themselves. He said thanks to the Commissary he could purchase almost any American product on the local market at 2-3 times the intended price.

He said that in his home (his wife is American) one heard only the American radio and TV. His children watched the Iranian channel only when viewing a U.S. film with the aid of an FM radio to hear the original version. He thought it was useful in teaching the children English. He saw no reason why both should not continue even if the Iranian station increased its English content.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

Pishvaian asserted that he personally was unaware of any disagreeable incidents involving Americans and Iranians, although he had witnessed some between Americans. Accordingly, he had no comment on whether incidents had increased or decreased.

Pishvaian believed the present situation of foreigners being located in several areas of Tehran was preferable to a compound existence, but noted that Americans (and other foreigners) did nevertheless tend to cluster in certain areas. He noted that Iranians were basically hospitable people. He felt he would feel the same as regards the provencial cities and/or if the number of foreigners would double. He added a postscript, however, to the effect that while he believed the influx of foreigners was good—and here he said that in his opinion Iran and Israel were the two developing countries that had made great strides in large part owing to the influx of foreign influences, including intermarriage— he would not be happy to see an influx of Pakistanis, etc. in contrast to Americans, British, Germans, etc.

Comment: Pishvaian speaks from a special point of view. He is American (Iowa) educated having spent ten years in the United States, has an American wife and a green card and probably will immigrate one of these days. He also works for a company having many U.S. lines, most notably Allis-Chalmers. Although I pressed Pishvaian to be as "nasty" as he wished, some reservations concerning his candor might be in order.

ECON/C:DEWestley:jt

Mohsen Darbani, Personnel Manager, Otis Elevator Corp. of Iran.

Darbani was Staff Aide to Minister of Interior Amouzegar for five years until early last December; he knows a great deal about the actual foreign presence in Iran and is probably the most knowledgeable source I interviewed.

Darbani says the number of foreigners in Iran has significantly increased over the past four years. There are now many more Pakistanis, Indians, Filipinos, and South Koreans, plus a modest increase in "Europeans"--including Americans. Principal problems are being created by the Filipinos and South Koreans, who fill jobs which Iranians could fill. (COMMENT: While these two foreign groups are supposed to be skilled construction workers, truck drivers, etc., Darbani says Iranians perceive them as unskilled laborers, particularly along the Persian Gulf.) Iranians do not understand why they should accept and work with (often) illiterate Asians instead of themselves being trained in the needed skills.

Most Iranians do not resent Americans or Germans because they know that these foreigners bring "skills which take a long time to learn," hence a general deference to Europeans and Americans. Darbani sees real problems with the influx of Asians, but notmuch with the greater numbers of Europeans, since their lives do not impinge much on the average citizen. He thought no special facilities were being provided for foreigners (Darbani, as with many other interviewed, seems to consider the U.S. Armed Forces radio and TV stations as part of the local scenery, i.e., for Iranians as well as foreigners.)

It makes little difference where Americans and Europeans live, because compared to others, they do not "threaten" Iranians the way Pakistanis and other Asians do. Darbani personally thought ghetto-style housing was bad, since it inhibited cultural adjustments, "which Americans seem more willing to make than others," but he thought compound living was beneficial to the government in the case of Asians, since it enabled the GOI to handle security aspects of these foreign communities better.

POL:JDStempel:mjl

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IRAN

Marilyn McAfee Interview with Mahnaz Afkhami, Minister of State for Women's Affairs, at her office on March 1.

Mahnaz stressed throughout our talk that she probably was not the right person to talk with in that her life was now so busy as to be "insular." She explained that she works until at least 8 P.M., rarely gets home before 9 P.M., and is so tired that she wants to go straight to bed. On the one or two nights a week that she accepts invitations, the functions are usually formal and there is little opportunity to really talk with people.

She also said that she was so sympathetic to America and Americans--"I grew up there. It's my second country"--that she was likely to be uncritical to the point of not noticing what others, less sympathetic might notice. Her husband, for example, she said, went to the U.S. after high school and she suggested that he might see things differently.

Our conversation did, however, elicit some interesting points:

The NITV International program is very resented, even by those who watch and enjoy it. Why should prime time be given to an English-language broadcast?

AFTV is accepted. It's handled by Americans. What bothers people is Iranian TV doing an English-language broadcast.

Mahnaz thought there were probably 50-60,000 foreigners in Iran. She didn't know how many Americans. She was sure there were more now, but again referring to her "insular" life, said that she was not aware of the increase. She said that she heard more negative reaction several years ago, but thought it was because her life was less constricted then.

She didn't seem alarmed about a potential increase, but wondered how the city might be able to absorb it physically (e.g. housing).

She thought that a compound for Americans would not be beneficial--even if it were for some and not all Americans. While it might solve some of the problems, she thought that it would be most unfortunate. Americans wouldn't learn anything about the culture. They might as well be living in the U.S. She also thought, from the viewpoint of her concern for Iranian women, that the impact of foreign women was beneficial.

Mahnaz said that her exposure was primarily to lower class Iranians through her IWO work, and to Government officials. She thought that the middle class, particularly upper middle class, would be the group(s) affected the most and the group(s) most likely to react.

On the lowerclass--she spends hours discussing their problems with them. They have enormous problems including rents, but there is no connection with foreigners. They are not concerned with foreigners.

On government officials/decision-makers--there is increasing resentment of imported culture. "Her Majesty is always talking about it." "Local solutions for local problems."

Government officials resent a great deal the kind of press notice received in the U.S. It is personally and deeply resented. Iranian officials are increasingly sensitive because Iran is increasingly under attack. "It's extraordinarily unfair."

Perhaps government officials are hypersensitive--perhaps they don't understand the nature of the American press, but they are extremely sensitive to it and resentful of it. And this resentment translates itself locally. "Take the Marion Javits story. If it had been Iraq instead of Iran it wouldn't have been played the way it was."

The mood of the country is not now pro-foreign. It is very "pro-nationalistic." Even foreign wives of Iranians are now having a worse time of it. The novelty is gone. They used to be received more warmly as being interesting--as having something special to offer. Not now. They are forgiven less. Now they are expected to know all the nuances of Iranian culture and behave accordingly. Mistakes are no longer "cute."

MILLS SURVEY - DR. ZIAI ** Head of Majles Foreign Relations Committee

1. More conscious of foreigners, but not in sense of crowding. 6-8 months ago during big boom it was vexing because all trying to get contracts and soak up money being thrown around. That wave has passed. Now he doesn't sense resentment. Reasonable people know foreign experts are essential to get job done and are willing to pay for and put up with. With laborers, must regulate flow of entry so as not to get into trouble like European countries. Some leftist young people resent, but few. Thinks 2,000-4,000 Americans live Tehran! Can't usually tell U.S. from other Western but if he frequented bars, hotels like U.S. he might feel differently. Sometimes U.S. are more outspoken than others (he means pushy.)

2. No effect. He knows of PX and "clubs" but people don't resent. They think U.S. medical care is better and resent that (I disabused him of that). Myth that Americans come with pockets full of money still lives but is changing.

He watches US TV, listens to news when driving. Likes. People don't object.

Has heard disagreeable things about rent incidents recently. Nothing more. In past GI fights, etc. troublesome.

3. Likes mixing of foreigners with Iranians. Isolation creates problems like with Brits before which still resented. If large numbers go to provinces at once, might temporarily keep apart 'til get used to each other, but if can phase in gradually there is no need to isolate. Keep them part of general life of community.

On reactions to news of tripling-complex, would resent more Russian, Indians and Paks less desirable because of large families. Large numbers of them might slow down Iranian learning of skills. Westerners not resented because of benefits they bring; businessman, investors, technicians OK, but keep skilled and semi-skilled workers to minimum.

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IR

Gordon Winkler Interview with Khodadad Farmanfarmaian, Chairman, Industrial Bank of Iran, March 16, 1976. Interviewed at Iran America Society.

I explained to Khodadad what the interview was all about and he requested that he be permitted to make an opening statement before we got into the individual questions.

In his opening comments Khodadad said he felt that it was very useful for the Embassy to be looking into the matter but he wanted to admonish us not to make an issue of it. He is very concerned lest our own concern about this potential problem dramatize it for th Iranians. He said he was glad we were only talking to 25 or 30 people and noted that any of those people could possibly mention to the Prime Minister or some other high ranking official that "the American Embassy is concerned about this problem and therefore we should be concerned about it." He said he could easily see the PM bringing up the matter in a meeting of the Council of Ministers or with other high ranking officials.

Khodadad said that 15 to 18 years ago Americans here were, in his judgment, a much bigger problem than they are today because Iran has changed very fast. A decade and a half ago this was a terribly provincial country. Today more people are sophisticated, they have television and they have become internationalized. "Our eyes are getting used to you" Khodadad said.

He was extremely high in his praise for the atmosphere which Ambassador Helms has created since he took over his responsibilities here. He felt that the Ambassador keeps a very low profile, "is not running around the country making speeches," and "even seems to try to keep his pictures out of the papers." He said it is apparent that USIS and other elements of the American Mission also are very conscious of maintaining a low profile under the Ambassador's stimul

Khodadad said it is important that we guard against trying to demonstrate any kind of special relationships between the two countries. He repeated in a number of ways his admiration for the way Ambassado Helms has handled himself in the past three years in Iran.

When asked whether he is conscious of the presence of more foreigner in Iran now than two years ago, Khodadad answered, "in total yes." noted that the oil revenue jump has brought many Americans and nationals of other countries, particularly businessmen, to Tehran.

He is very much aware of the fast buck operators and apparently is plagued by a number of people who have been given his name and insist on seeing him, "just so they can say that they have done so when they report back to their bosses."

He said he felt the sudden inflow of new business in Tehran, while beneficial, could create suspicions "especially when viewed against the background of such events as the Lockheed expose." He said he very definitely can tell Americans from other foreigners. "All you have to do is look at their shoes." He explained that Americans wear shoes with thicker soles than do Europeans. He added that he has had so much experience with English speaking people that he can, of course, spot an American by his accent.

Again, discussing business and foreigners coming into the country, Khodadad noted that it is cheaper to bring British, Germans, or other Europeans than Americans. "You simply pay them less." He said there are, to be sure, jealousies on the part of some Iranians as to what Americans get paid but he noted that at the higher levels Persia's top experts are getting approximately equal remuneration as Americans.

He pointed out that there are some phony "experts" coming into the country, but "we now can select better; we are better jewelers and can tell glass from diamonds." He also explained that more of the experts are coming into the country under the aegis of the private sector and "you can't fool the private sector very long."

When asked to estimate the number of Americans in Tehran, Khodadad guessed 4,000 to 5,000. He was somewhat surprised when I told him the total was approximately 16,000, but he was not troubled by this.

When asked if the presence of foreigners had any effect on his life and the lives of his family, he said that there was no effect in terms of the use of resources such as food, taxis or public facilities He acknowledged that in the case of certain types of housing, the rents may have been affected by foreigners.

He went on to say that he felt that certain activities by foreigners such as the British Council, the Goethe Institute and the Iran American Society were totally salutary as far as Iranians were concerned and benefited bilateral relations between the countries.

When asked if he could name any special facilities for foreigners he mentioned the fact that he thought there were some clubs, but he had never been to them. When I mentioned Gulf District he clearly recalled its presence and its purpose, but he has no problems about it; nor does he feel anyone else has.

On the question of radio/television, he said that he listened to channel 7 "all of the time" and would hate to see it abandoned. He said that he also feels that NIRT International is worthwhile but that it is healthy to have two broadcasting operations in English.

Khodadad was unable to identify any disagreeable incidents between Iranians and foreigners and very vaguely recalled the "slaying of two Americans in Azarbayjan a couple of years ago." He discussed Americans in traffic and said that "all foreigners are becoming just like us," but he felt that most Iranians do not perceive overly aggressive or clumsy behavior by American motorists because they do not perceive it among themselves." They do not feel it is wrong to cut someone else off," he noted.

Khodadad responded most definitely and vociferously when asked his opinion of the possibility of Americans or other foreigners living and working in separate compounds with their own shops and recreational facilities. He responded to this suggestion with a resounding "NO." He said that foreigners "must live and work among us so that they are not distinguished from us."

He said any effort to separate any individual segment of a foreign community -- and in this case he volunteered the thought of separating the American military -- would be a very serious mistake." He said this would identify individual segments of the foreign population, call attention to them, build up envy and jealousies and be totally counterproductive.

When asked whether or not this might be considered in a smaller community such as Isfahan (and here I pointed out that it was happening in Isfahan to a degree with the new foreign village being constructed north of the city), Khodadad used the term "ghetto" but said that he understood that the problems were somewhat different in the provincial areas. "But even so I am very much opposed to the idea." He said that if forced to do something like this there should not be one single foreign village within a provincial city but several small ones scattered amongst the Iranian population.

In sum, this whole idea of separation of foreign populations of any sort was totally repugnant to Khodadad.

When asked about the effect of a possible trippling of the number of Americans in Iran, Khodadad did not seem to be seriously bothered. He did acknowledge that as the population of Americans or other foreigners increases in the country, there is, "of course, an increasing potential for problems. But it is very difficult to predict just where the problem line would be."

Khodadad concluded by saying that he had noted that all of the Americans with whom he has come in contact with in Tehran are different than they were previously. He said that Americans are "more internationalized" and most of those who live here have lived in many parts of the world. (This, of course, leads one to the thought that Khodadad's contacts with Americans and other foreigners have been distinctly limited to the upper social, economic and education level.)

SUBJECT: Views of Mr. MOHAMMED TAHERI on Increasing Foreign Presence in Iran

BACKGROUND:

Mr. TAHERI is the Managing Director of the Philver Company and seems to be definitely on his way up. He is in his early 40's, articulate and socially prominent. He has been asked to take a leading role in the up-coming US/Iran Joint Business Council meeting. He spent 10 years in the U.S. at various universities, receiving a Ph. D. in engineering.

Mr. TAHERI said that although he has noticed, of course, the rising numbers of foreigners in Iran, such had not caused him any problems nor did he think that the Iranian business community (and by this he seemed to mean the upper echelons) was troubled by this influx. In response to my question, he estimated the number of Americans in Tehran to be between 10,000 and 15,000. He said that he usually can tell if a foreigner is an American or not --- Americans seem to be more informal in their lifestyle, particularly in their dress, than other foreigners. He did not say this in a pejorative sense, merely noting this trait.

He went on to say that he finds Americans to be substantially more "clannish" than other groups of foreigners. The vast majority seem to live in the Saltanatabad area, perhaps understandably since this is where Armish/Maag is. Earlier in the conversation he seemed to imply that this clannishness was perhaps denying to the Americans the cultural benefits which a fuller integration into Iranian society would provide. For example, if he were an Iranian in France, he would be trying to buy French products and do his best to integrate into French society. He has been told that

there are 13,000 Germans in Tehran, a fact that one would be surprised at learning since the Germans are substantially more dispersed, geographically anyway, throughout Tehran. Somewhat in contradiction to this, he noted that this clannishness seems to be an American trait which he does not find disagreeable in any way.

He understands that there are special facilities for Americans. The American Embassy seems to be in closer contact with its citizens, and does more for them then do other Embassies vis-a-vis their citizens. Still, this is the Embassy's duty, he said.

He conceded that the "lower socio-economic levels" in Iranian society may have "Problems" with the foreign community. For example, conservative Iranians might find certain American dress styles "odd," and might even be offended by these. Again, he emphasized that he doubted if Iranians in his own socio-economic circle would find any of this objectionable. He has not heard of any disagreeable incidents between Iranians and foreigners but agreed, in response to my observations, that there probably had been incidents, for example, with taxicab drivers and landlords. On the other hand, Iranians have these same problems. He really had not thought much about the possibility of "incidents" between foreigners and Iranians and doubted if there was anthing really significant in this regard. A doubling or trebling of the number of foreigners in Iran over the next 5 years or so would probably cause no problems for the Iranian business community, certainly not for those in the upper echelons. Again, the problems, if any, would be at the "lower levels."

ECON:RCBrewin:dfg

March 25, 1976

Memorandum to the Files

From: POL - Archie H. Bolster

Subject: The American Presence in Iran

I discussed the general subject with a neighbor, Sa'id Kokabi, on March 6. Kokabi is a student, about 17, one of three sons and a daughter of a bazaar merchant. The Kokabis moved up to Darrous from near the bazaar some eight years ago, and the head of the family still makes two round trips to the bazaar each day. The Kokabis are a typically conservative family, but the sons have adopted jeans, love rock music, and are pretty much "with it" by today's Iranian standards.

Sa'id Kokabi felt that the presence of foreigners in Iran, such as the many Germans who live in our area because of the nearby German School and German Church, is very much needed because they have expertise not available in the country. Education in Iran has not progressed enough to train Iranians in technical subjects. Sa'id has a brother who has learned metallurgy and worked for a time near Isfahan. He now works for an American firm just West of Tehran. A more distant relative (unidentified) knew Soviet technicians working on a silo complex somewhere in southern Iran. The Soviets, who were in Iran without their families, lived in an apartment complex and had very little contact with Iranians outside of their work. Sa'id thought this was a very bad precedent to follow. When I asked what he thought of foreigners with families living in a compound, he argued against such a policy. He thought foreigners ought to live among the Iranian people, to learn Farsi from them, and to teach their Iranian neighbors English, German, French, or whatever.

JS

March 25, 1976

Memorandum to the Files

From: POL - Archie M. Bolster

Subject: The American Presence in Iran

I discussed the general subject with my Neighbor, Mr. Parsa, on March 6. He is employed by the Ministry of Education and works on Secondary Education matters. He speaks some English and very good French, and sends his two young sons to Lycee Razi. We discussed the subject in Farsi. I did not approach the subject as a public opinion poll, but rather worked the subject into a general conversation.

When I asked Parsa how many Americans he thought there were in Iran he guessed 20,000, a figure astonishingly close to the Embassy's estimate. He thought there were even more Japanese than Americans (?!), and guessed that the Germans and French were not far behind the Americans in number.

Parsa noted that Iranians have normally been tolerant of and friendly toward foreigners, and that the contribution foreigners made to Iran was great because of their conscientious work habits. He admitted that this tolerance was perhaps more evident among educated Iranians, who valued foreign contacts, but said the "man in the street" had very little contact with foreigners and therefore no particular opinion about their presence. He saw no bad side effects of having so many foreigners in Iran. The high rent problem was not something you could blame on foreigners, he said, because it was the rapacious landlords who overcharged everyone, whether Iranian or foreigner. He thought landlords actually set higher rents for foreigners when they could get away with it.

Having travelled to Germany last year, Parsa mentioned how impressed he was with the orderly traffic. He contrasted this with Iran, where his countrymen have terrible manners in public despite their claim to traditional politeness. He repeated this several times, noting such examples as people honking at the car in front stopped for a traffic light to get him to go even before the light changed to green.

AB

Mr. Shabi, manager of a chelokebab restaurant at Hasht Gerd. (About 40 miles west of Tehran).

Shabi, about 26, speaks virtually no English and has run his own chelokebabee for the past two years after graduating from high school and working for his family for a time. He did not think there had been much of an increase in foreigners in Iran, though he supposed there were more in Tehran now than when he had lived there as a very young man ten years ago. Foreigners do not affect his life much, except that they seem to prefer his restaurant to his two competitors in Hasht Gerd ever since he painted up the place and got new tables and chairs about a year ago (exactly our reason for selecting the place). Foreigners tip better than Iranians. Neither he nor his three waiters can tell what country they come from, though he thinks most of his foreign customers are Europeans.

Where foreigners live could not interest Shabi less; the very few near Hasht Gerd live in nice houses and do not have much to do in the city. He personally would not mind some more foreigners moving in, especially if they like to eat out.....

POL:JDStempel:mjl

Cyrus Elahi, Professor of Economics at National University

Elahi, who departed for six weeks in the U.S. the day after this discussion, is an American-trained social scientist with good connections in Iranian politics but no admitted political ambitions of his own.

Elahi said the number of foreigners in Iran has obviously increased. Principal expanded groups are "Orientals"--defined to include Indians--and "western Europeans"--including Americans. Elahi has been thinking about the problems of foreigners in Iran, particularly their problems of adjustment. Now that the cities, especially Tehran, are growing so big, foreigners experience not only normal culture shock but in addition, the same sorts of frustrations that have increased urban violence generally in Iran over the past two-three years.

The only special facility for foreigners mentioned was the Housing Bureau (curious, since Elahi listens to AFTV at least occasionally). Elahi thought the GOI ought to do more to eliminate ghetto-style accommodations, "except for the Russians; they can't communicate anyway, so they might as well live where security men can keep an eye on them." Elahi notices a slight upswing of hostility toward foreigners generally. When asked if this was directed at any national group, he replied that different classes are "bugged" by different groups--lower class Iranians greatly dislike the influx of Pakistanis and Indians, while some upper class Iranians, especially those with French or continental European educational backgrounds, are anti-American. Elahi added there is a real struggle between American-educated Iranians and European, particularly French-educated Iranians, for power within the university establishment, "and you can expect to take your lumps from the Europhiles, but don't take it too seriously; the 'American' Persians are winning."

WOL:JDStempel:mjl

SURVEY OF IRANIAN ATTITUDES TOWARDS INCREASING FOREIGN PRESENCE IN IRAN

Gordon Winkler Interview with Dr. Kambiz Mahmoudi, Deputy Director General NIRT, at his office on April 8, 1976.

Kambiz said he is definitely conscious of the presence of more foreigners in Iran now than he was two or three years ago. But when asked to cite nationalities he mentioned Koreans, Pakistanis, Indians and Filipinos. He said that previously the foreign population of Iran seemed to be all Americans but in the last couple of years there has been a very substantial influx of Asians and he and his friends are more aware of them.

He noted that there is an understanding that there are in excess of 3,000 Indian physicians working in the provinces. He went on to comment that there is a concern about the behavior of these doctors in the villages. He said that some Iranians feel that because a medical doctor has substantial impact on an individual whom he treats, there could be a cultural impact associated with this. He said that some people are concerned that as villagers begin to learn English they will be speaking English like Indians, or Pakistanis.

Kambiz estimated that there were about 50,000 Americans in Iran and was surprised to learn that the total was approximately half of that. He said that he could definitely distinguish a foreigner from an Iranian but he could not necessarily distinguish Americans from British, Canadians, Germans, or French.

He said that the presence of foreigners has no particular effect on his life, but there is no question about the fact that people feel that foreigners have driven rents up and have made it much more difficult to find domestic servants. However, he said the onus of this does not necessarily focus on Americans. He said this was true some time ago when people had the feeling that the fundamental foreign presence was American, but today Iranians are blaming the increased rents on foreigners generically as well as on the increasing numbers of Iranians who will pay anything for housing.

When asked about special facilities for foreigners, Kambiz immediately mentioned the German Club (this is only natural in view of the fact that the Club is directly across the street from his office), and he had a vague knowledge of the Pars America Club. He did not seem to be aware at all of the presence of Gulf District.

When we discussed radio-TV programs, Kambiz said that he really gets no kickback from Iranians regarding the presence of AFRTS and that the basic complaints or criticisms that he has heard have come from Turks, Pakistanis and other radio officials who visit Iran. He says he has also heard questions about the presence of AFRTS from visiting American broadcasting officials.

Kambiz could not recall any disagreeable incidents between Iranians and foreigners living here, although he said they have had a few episodes with the foreign employees of NIRT. For example, he said, they had to discharge an Englishman for bringing Hash onto the premises and he was aware that some of the English teachers from the University of Southern California were at odds with each other, but there were no problems with the Iranians.

Kambiz went on to note that there were image problems some years ago. He said that he was sure that there were never as many Americans in the country as there are now, but when the U.S. Agency for International Development begain their programming here, they brought in hundreds of people. He commented that many of them were "sloppy" and not educated. He said that they gave a very bad impression and negative reputation to Americans, and there were a number of incidents involving American department heads with Iranian employees.

He said this negative image continued for a couple of years after the AID program ended but he feels it has subsided completely now. He said that either the Americans here now are different or "we Iranians are more worldly and sophisticated and our perceptions are different."

Kambiz would be dead set against any thought of a separate community for any group of Americans or other foreigners in Iran. He said that an artifically created community would only make matters worse and make the presence of foreigners much more evident. He said "you would be creating a target for criticism and you must understand that our culture requires the mingling of people."

He noted also that tradesmen would be up in arms about the development of a community. He said that "even though you have your commissary now, the tradesmen do have the feeling that they are getting some business out of the foreign community. If you compressed a foreign group within a private community which included shops, the tradesmen would feel that they were losing considerable business opportunities."

When asked if he would have the same reaction in connection with smaller towns, he answered, "definitely."

When discussing the potential for a doubling or a tripling of the American or foreign communities in Iran, Kambiz said that he obviously could not predict what the reaction would be. "However, if this is going to happen I feel it would be very important for you to take certain steps that will ease the entry into Iran for these individuals." He said that some approach to serious orientation about Iran will be absolutely essential.

To this end, Kambiz recalled for me that NIRT is in the process of making nine films on Iran; five of them (on geography, people, women, pre-Islamic culture, post-Islamic culture until 1800) have been completed and four more should be finished by the end of the summer. These are being prepared essentially for use in the 18 colleges and universities in the United States that teach Iranian studies and/or the Persian language.

As a result of earlier conversations that he and I have had on this subject, Kambiz said that he has directed the producers of these films to contact the U.S. Information Agency in Washington as soon as they are completed and provide prints of the films to the Agency for potential use in orientation. He said that several of the completed films have been tested with different types of audiences in America and they are quite successful. He said that even though they are prepared with a university audience in mind, particularly a graduate level audience, they do keep the attention of less educated people.

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

PARTICIPANTS: M. Henri Marchal, Director, French Cultural Center, Tabriz
David C. McGaffey, American Consul, Isfahan

DATE & PLACE: February 23, 1978 - Consulate Residence

SUBJECT : Tabriz Riots of March 18, 1978

DISTRIBUTION: AMB/DCM, POL, ECON, USIS, OR, CONS. SY, AMCONSULATES SHIRAZ, ISFAHAN & TABRIZ, NEA/IRN, INR/RNA, INR/OIL/B

Introduction: M. Marchal, a friend from Tabriz days, visited me while in Isfahan for a conference of French Cultural Center Directors. Over lunch, he described his picture of the Tabriz riots.

M. Marchal stated that the authorities took precautions against disturbances, but were unprepared for the extent and violence of the action. They had stationed extra police at the University and around police stations and had policemen with walkie-talkies at most intersections. Their control at the University was heavy enough that it remained essentially quiet the whole day. However, when the disturbances started, confusion reigned.

The trouble started with a large demonstration in front of the Aria hotel, near the center of the town. An initially quiet crowd grew rowdy and began to throw stones at the nearby government "youth palace". Reports are that a woman without chadri was dragged from her car and has disappeared, rumored to have been burned. The police attacked the crowd, which dispersed. Then small groups, which he characterized as being very organized, sprang up all over town. Branches of the Sederat bank were a prime target, with the rioters breaking in, destroying furnishings and records, and setting fire to the debris, but he states that there are no reports of theft of money. It is said in Tabriz that this bank was attacked because of its close connection to the Royal family. M. Marchal states that almost all the destruction of buildings--banks, the youth palace, Rastakhiz Party offices and the panels commemorating the Shah-People Revolution in front of the main post office--was completed within two hours, and that he thought later rioting was less organized and included many more people. He stated that the police used automatic weapons on any large crowds seen and that he was informed by doctor friends by 1:00 p.m. that all hospitals were filled with "many more than 500" wounded or dying. Helicopters began buzzing the streets about 2:00 p.m., and chieftain tanks patrolled the main intersections with much more shooting and

presumably many more killed or wounded. His estimate from Tabrizi doctors of the number killed is around 90-100 with up to 700 wounded severely enough to go to a hospital with many more treated privately.

He states that more than twenty girls at the Parvin school, a somewhat progressive girls' school, were severely beaten when they attempted to leave the school and that authorities called parents to come with automobiles and chadours to pick up the remainder.

He heard reports that the slogans being shouted were basically anti-Shah and pro-Islam with several reports that at least one group was shouting pro-Turkish slogans (but whether referring to the country, or the local Azerbaijani Turki population/language/culture was unclear). He said that no specifically anti-foreign, anti-American activity was reported but that rioters made determined but unsuccessful attempts to attack the residence/guest house of the many foreign workers on IDRO projects and pointed out that only the Iran-America Society of any of the foreign cultural centers suffered any damage. He stated that it is assumed in Tabriz that the Governor-General and the chiefs of Police of Savak and of the army base will all be sacked and that the "experiment" of assigning senior officials with close Azerbaijani contacts to posts in Tabriz will be ended.

He speculated that the organizers got willing volunteers because of widespread and deep resentment among a largely agricultural population against the Government's policies affecting agricultural product prices. However, he says that none of his contacts in Tabriz believe that the rioters were "foreign-controlled elements" for, while organized, their targets were "obvious" ones for Azerbaijani malcontent. Instead, they believe that there were local (or at most, Non-Azerbaijani Iranian) instigators who organized the local malcontents and made them effective in their destruction.

Embassy Tehran Comment: While figures on casualties seem out of line with more reliable estimates, flavor of conversation seems to ring true, if somewhat dramatic.

P.O. TABRIZ:DMcGaffey:3-1-78

Trend
Tabriz
E2-

DEPARTMENT OF STATE

AIRGRAM

Original to be Filed in _____ Decentralized Files.

FILE DESIGNATION

CONFIDENTIAL — HANDLING INDICATOR

A-04 — NO.

TO : DEPARTMENT OF STATE
INFO : AMCONSUL ISFAHAN
AMCONSUL SHIRAZ
AMEMBASSY TEHRAN

E.O. 11652: GDS
TAGS : SHUM, PINS, IR
FROM : AMCONSUL TABRIZ
DATE: February 23, 1978

SUBJECT : RIOTING AND CIVIL INSURRECTION IN TABRIZ: AN INITIAL ANALYSIS
REF : TABRIZ 004

BEGIN SUMMARY: On Saturday, February 18, 1978, crowds estimated in the low thousands spent a full day rioting and fighting police and army forces. Damage to government and private property was extensive, and injuries and fatalities were estimated to be in the hundreds. As of February 21, the city streets are still under military control, and the effects of the disturbance are expected to be long-lasting. END SUMMARY.

Beginning shortly before 10 a.m. on Saturday, February 18, crowds of mainly young men began to form in the bazaar and central shopping district of the city, and after some attempt by local police to break up the gathering mobs, fighting broke out in earnest, spreading rapidly and violently to other city areas. Despite the fact that Saturday was an official work day, printed leaflets had been in circulation since the preceding week ordering city shops to remain shut on Saturday in commemoration of the 40th day anniversary of the deaths in the religious center of Ghom, and the bazaar area, as well as the vast majority of the city shops were closed. All government offices, government shops and banks were open, however, and as the rioting began, these places were attacked by mobs. As the rioting continued during the course of the day, it became more and more evident that the attacks on various buildings had been well planned, and that the mobs had specific targets in mind.

DRAFT DISTRIBUTION / ORIGIN/ACTION

H/R	REP	AF	ARA
I/R	FE	NEA	EU
INR	E	P	IO
L	FBO	AID	
ADM	COM	FRB	INT
LAB	TAR	TR	XMB
AIR	ARMY	NAVY	OSD
USIA	NSA	CIA	

SUGGESTED DISTRIBUTION

POST ROUTING

TO:	Action	Info.	Initials
AMB/DCM			
POL			
ECON			
CONS			
ADM			
AID			
USIS			
FILE			

Action Taken:

Date:
Initials:

FORM DS-323 10-66

CONFIDENTIAL — For Department Use Only: In / Out

Drafted by:	Drafting Date:	Phone No.:	Contents and Classification Approved by:
TABRIZ:MJMetrinko:nbt	2/21/78		CONSUL:MJMetrinko

Clearances:
CONGEN:LPGoelz
POL:JDStempel

O - 13634

95

)espite the widespread reports that shops would be closed in ıemory of the deaths at Ghom, city police officials seemed to)e singularly unprepared for the explosion of violence that)ccurred, and apparently little or no advance planning had been ıade. After first attempting to dissuade the crowds, and then firing over their heads, local police forces rapidly lost :ontrol and retreated as more mobs sprang up in other parts of the city. It was not until the early afternoon that infantry assistance was brought to the scene (reportedly from army bases in the nearby cities of Marand, a 45-minute drive from Tabriz, and from Maraghe, about 2 hours away). By the time that these reinforcements arrived, and shooting into the crowds began in earnest, the rioting had spread out over an area 12 kilometers in length, from Azarabadegan University in the east to the railway terminal in the west, and some 4 kilometers in width, from the Rastakhiz (Resurgence) Party Headquarters in the north to within two blocks of the American Consulate in the south. The arrival of the military, and especially the eventual advent of Chieftain tanks (the use of which in riot control is causing some concern to the British Embassy) to patrol the city, marked the beginning of the decline in the mob offensive, and the majority of local casualties are being attributed to these infantry forces.

While government response to the rioting seems to have been unplanned and ineffective for several hours, the tactics of the mob bore every indication of good preparation. The rioters had specific targets in mind, and the appearance of different groups in different parts of the city -- groups well-supplied with flammable materials to start fires in very selective locations -- presupposes a core of instigators who knew very well what they wanted to accomplish. The burning of such buildings several miles apart from each other with such a fairly short time span would preclude the possibility that the mobs were haphazard groups. While mob weapons were, in general, limited to stones, clubs and knives (reports of rioters and snipers with guns have been circulated, but these now appear to have been exceptional occurrences), even these primitive weapons could not have been picked up at random by the rioters. So much damage was done to buildings that there had to have been a pre-supply of these items, especially in the commercial areas which bore the brunt of the destruction.

The day's casualties have been officially estimated at 125 wounded and 6 dead, with several of the wounded being police and security officials, but other sources give much higher figures. In one hospital alone, more than 150 people were reportedly treated, and one foreign observer whose apartment overlooks the heavily-damaged bazaar area claims that seven small pick-up trucks there were loaded with dead bodies. Infor

estimates run as high as 200 dead, but given the government propensity to downplay such figures and the normal popular reaction to exaggerate, it will be almost impossible to learn the real casualty toll.

Far more apparent is the extensive physical damage, with the hardest hit being bank buildings throughout the city. Over 70 bank branches had windows smashed, and at least 10 have been totally gutted. Bank receipts and files were littered all over the city, and the task of sorting out the financial affairs of thousands of customers will be a major one.

Government buildings also suffered severe damage, with mobs attacking two Municipality branches, the Education Department, the Endowments Department, the city Court, the Tax Office, a Telephone/Telegraph office building, two branches of the Rural Cooperative stores, several police kiosks, the Social Insurance building, and most prominently, the Rastakhiz (Resurgence) Party Headquarters, which was set on fire.

Cultural institutions were also targeted, with the most important being the Iran-America Society, which had extensive window breakage; the Teachers' Club; and the government-sponsored "Youth Palace", which was badly damaged by fire.

In the private sector several shops and at least one cinema were gutted; the local Pepsi-Cola plant was heavily damaged, as was one city hotel; and several other hotels, virtually all the city's movie houses, and selected shops had their windows smashed.

The buildings burned or attacked seem to fall into definite categories, with either government or bank affiliation, or as in the case of the Pepsi-Cola plant and some of the burned-out shops, affiliation with the local Bahai community. The most common reason being given for the attacks on the cinemas is that they were places where women could be seen on the screen, or in the case of the Youth Palace, the Iran-America Society, the Teachers' Club and the hotels, places where the sexes mix freely and are thus anathema to the pious Moslem.

What was very apparent in the physical destruction was that the mobs knew very well which buildings to attack, going out of their way (as in the case of the Iran-America Society) for some, and leaving homes and shops adjacent to their targets completely untouched. There was little damage done to ordinary buildings in the course of the rioting, and the mob organizers must have had firm control of their groups to prevent such destruction. The rioters themselves did little or no looting, and such small-scale looting as did occur seems to have been done by people (including some women) who followed in the wake of the mobs.

The rioters themselves seem to have been mainly young men, with the lowest age limit being given as early teens. Despite the official pronouncement that the mobs were "Islamic Marxists," the local, unofficial view is that the term has no meaning in the context of what happened in Tabriz. The general consensus is that the rioters were from among the unemployed and the lowest of the working classes, the disaffected and very volatile strata of the male populace who have nothing to lose by rioting and who are easily led by instigators. While such a group can be called "Moslem," it seems paradoxical to also put the tag "Marxist" on them. Like other large cities in Iran, Tabriz has seen a heavy insurge of young villagers trying to find work, adding an ever-increasing burden to the already overly-large lowest social class. Attempting to live in the very conservative and very closed society which exists in Tabriz, most of them illiterate or only semi-literate; young, male, often apart from their families and thus without the family support so necessary to the Iranian psychology; being given the lowest manual labor, if they can find jobs at all; and not being able to afford any normal recreation to release their energy (sports activities and movies require leisure time and money, and any real contact with the opposite sex is forbidden), it should come as no surprise that they are a volatile group. Given the pervasive and grim religious environment, with its emphasis on the restricted role of women and condemnation of such mundane pleasures as the cinema and places where women "expose" themselves to men -- i.e. organizations such as social clubs, hotels, the Youth Palace and the Iran-America Society, all places which are, in effect, accessible only to the middle and upper classes because of the expense involved in mere attendance -- it is no wonder that such a group can be led into emotional and violent action. Religion is one of the few remaining constants to this class of people, and their limited conception of Islam and veneration of the Shi'ite hierarchy are among the few things they can retain in a society in which they feel abandoned and threatened.

The decision by the religious leaders to close the bazaar and to shut down the city in commemoration of the deaths at Ghom can be seen as a direct challenge to the authority of the government, but in another sense, it can be viewed as a religious duty by people who deeply believe that the dead at Ghom were martyrs to their faith. The very real power of the clergy over a segment of the populace was clearly displayed, and the cries of "Down with the Shah" and calls for Khomeini (the now-exiled Shi'ite religious leader) to return to Iran can be seen as expressions of both political discontent and religious faith. Whether the primary intention of the mob organizers was purely political, purely religious, or a combination of both with interference by other political instigators to embarrass the regime will perhaps never be clearly known. What is clear is

that the mob (as such in Iran) and the whole disaffected class of people from whom the mob sprung have once again become a potent weapon to use against the regime. Whether the people who planned the rioting were clergy intent on proving their intensity of faith and devotion to an Islam they see as threatened by the government, or whether they were indeed "Marxist instigators," the serious challenge posed to the regime by the attack on so many institutions will have far reaching effects.

In the short run the city's social and economic life will be strongly affected as the damaged institutions start to return to normal business, and presumably there will be a serious shake-up in the local government hierarchy for its failure to foresee and prevent the rioting. Many of the easy-going and somewhat placid city and province officials will undoubtedly be replaced by a more strict and repressive group, and one can predict that the regime will react by cancelling development and social projects in the area. In the longer run, and far more importantly, the Tabriz insurrection has shown that the actual control of the regime over the provinces can be seriously threatened by religious and social forces long ignored by Tehran, and now far too powerful to be dismissed or easily placated.

METRINKO

Memo chron

CONFIDENTIAL

UNITED STATES GOVERNMENT

memorandum

DATE: 5 March 1978

REPLY TO ATTN OF: E/C - Clyde D. Taylor

SUBJECT: Qom and Tabriz Unrest

TO: POL - Dr. John Stempel

Mr. Bakhtian told me this morning that his cousin, a physician, had visited over the weekend and reported on events in Qom. His cousin operates a clinic in Qom and firstly, said that the number of dead in the Qom riots was around 400. He said that government spokesmen brought the message to the ayatollah in Qom after the Tabriz riots that His Majesty had not slept for five straight days, to which the Qom ayatollah replied that "you tell him that we haven't slept here for the last fifty years." One reason given by this physician-cousin for the Qom riots follows the argument that the Iraq ayatollah, who is in exile in Iraq, is completing the maximum fifteen years that he can be exiled, and that questions concerning his return are at the root of some of the riots.

Of immediate interest was Mr. Bakhtian's comment that the morning radio announced that the road to Qom was closed because of observances in Qom. He asked me if I was aware of more closings of bazaars and shops in Iranian cities on the weekend. I said I was not.

cc: RCB/RF

E/C:CDTaylor:wh

CONFIDENTIAL

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10 (REV. 7-76) GSA FPMR (41 CFR) 101-11.6 5010-112

101 - M10 [redacted]

CONFIDENTIAL
XGDS-3

MEMORANDUM OF CONVERSATION

AMEMBASSY TEHRAN

Place: Home of General Hassan Pakravan, Niavaran, Tehran

Date: April 19, 1978

Participants: General Hassan Pakravan
Clyde D. Taylor, First Secretary

Subject: General Pakravan's Desire for Greater U.S. Advisory Role to the Shah

Distribution:

AMB/DCM	NEA/IRN
POL	INR
OR	INR/DDR/RNA
USICA	INR/DDC/OIL
ECON-5	
SHIRAZ	

INTRODUCTION: The occasion was a dinner which mixed friends of General (Retired General, Ex-Deputy Prime Minister and Chief of Savak, etc.) and Mrs. Pakravan and those of his son, Dr. Karim Pakravan (Professor of Economics at the Free University of Iran and Energy Consultant of the Plan and Budget Organization) and his wife. In the course of the evening General Pakravan kept returning to me and continuing the conversation reported, which all told involved at least one hour.

General Pakravan prefaced his comments saying he no longer exercised access to the Shah but some of his friends (generally younger) do. But from his years of direct access he believes he knows him like a book and he can still accurately speculate on and judge the Shah's thinking concerning events and the future. He said he was sharing his thoughts with me as a concerned patriot.

The General began by asking me for a candid commentary concerning Iran's present economy and its prospects. This I gave him and he agreed in full. He then asked what the U.S. view toward Iran was. I responded along the lines I had heard Ambassador Sullivan take on numerous occasions with visitors, i.e. that the U.S.'s interest in Iran transcended its value to us as an oil or gas producer and was more based on geopolitical considerations.

The General said that he knew that the Shah was greatly concerned over present economic and political conditions in Iran (by this he was not only referring to the economic imbalances, the over-extended economy and the frustrations that have built due to the underachievement of Iran's Fifth Plan goals, which we had just discussed, but the increasing dissidence of a political, social and religious nature in Iran). He said that he is anxious over the fact that the Shah is increasingly isolated and that he has few if anyone to his knowledge who out of a real concern for the welfare of Iran is giving him honest information. He, himself, is very pessimistic that Iran can achieve its stated economic goals; therefore, its goals must be lowered if a long-term viable economy is to be built and without highly adverse socio-political consequences.

I asked if it were not true, as I had repeatedly heard, that the Shah maintained access with a select group of businessmen in order to maintain a touch with the business world. The General said that unfortunately those businessmen who used to have access to the Shah either do not now or are not candid with him. He admitted that the Shah has perhaps become so wedded to his own goals that he is more suspicious than in years past of people who are giving him "bad news". On the official side, he said that unfortunately his Ministers as well as leaders of foreign commerce and Heads of State "act like Iranians," i.e. they approach the Shah with hopes of what they can get from him and Iran.

The point of his entire discussion was his plea that I convey the need for the USG or respected American non-government leaders (he mentioned David Rockefeller) to actively pursue an advisory role with the Shah. He said he assumed, as in years past, this was to some extent done by the U.S., by the President and the Ambassador, but he believed it must now be a role more earnestly pursued, of course in a spirit of sincere concern for Iran and in the most diplomatic way. He warned that the Shah "might get angry and shout," as is his nature, over what he hears, but he needs to be told before the present trends are even less reversible. Concerning Iran's domestic political problems, he said that they are best left alone by outsiders but that the Shah from the early 60's (at which time the General was Head of Savak and would have been in extremely close contact with the Shah) accepted the fact that he must set in train the democratization of Iran. He said he was hoping I would convey his suggestion to the Ambassador because he felt that the U.S. was in the best position to give statesman-like advice to the Shah which would be well received. He said

there should be some others, such as the leaders of Germany, Britain, France and perhaps Japan who could obtain the Shah's ear and be willing to speak honestly and with a sincere concern for Iran's future viability, and well being, subordinating their commercial interests in Iran.

BIOGRAPHIC:

GENERAL HASSAN PAKRAVAN - born in 1914, was Deputy Chief of Savak in the latter years of Timour Bakhtiar (late 1950's) and then was made Chief of Savak and Deputy Prime Minister from around 1960 to 1964. Due to a conflict between himself and General of the Army Ne-Matollah Nassiri, he was removed from Savak and since then Nassiri has been Chief of Savak. Subsequently, General Pakravan was Minister of Information, Ambassador to Pakistan and Ambassador to France (September 1969 until September 1973). He has had various sinecures in the government since then. He speaks English well and appears very alert and current with what is happening in Iran. This in part, no doubt, reflects his involvement in several large business operations, the one being the establishment of a very large iron foundry in which the USSR will have the entire contract, near Mashhad.

DR. KARIM PAKRAVAN - The son of General Pakravan, Dr. Pakravan appears to be in his early 30's. He obtained his B.A. in Switzerland, a Masters in Economics from the London School of Economics and a Ph.D. from the University of Chicago in mathematics and economics. He returned to Iran in 1976 and immediately began working with the Free University of Iran. He has a 2½ year old child and his wife, Aziti, who has degrees from England and the U.S. in television or some related communications field also works, but part-time, at the Free University in the television/communications department. Dr. Pakravan has recently established and is General Manager of a business consulting firm called AGREC Incorporated, which stands for Agriculture, Resources and Energy, Inc. His partners in this are several professors at the University. He is also the sole energy consultant to the Plan and Budget Organization and has close collegial relationships with Fereidoun Fesharaki, the Energy Advisor to the Prime Minister, as well as any other energy experts on the Iranian scene. He is very open with Embassy contacts and should prove a continuing good source.

E/C:CDTaylor:dd

amb dcm con isfa2 tabr cru 10j

AIRGRAM

HANDLING	CLASSIFICATION	MESSAGE REFERENCE NO.
	CONFIDENTIAL	A-12

TO: DEPARTMENT OF STATE

INFO: AMCONSULS ISFAHAN AND TABRIZ (VIA INTERNAL POUCH)

FROM: AMCONSUL SHIRAZ DATE: 4/27/78

E.O. 11652: GDS
TAGS: PGOV, IR
SUBJECT: POPULAR PERCEPTIONS OF THE AMOUZEGAR GOVERNMENT

REF:

DEPT. DISTRIBUTION

ORIGIN/ACTION

AF	ARA	CU	EA
EB	EUR	INR	IO
L	NEA	PER	PM
REP	SCI	SS	SY
AGR	AID	AIR	ARMY
CIA	COM	DOD	DOT
FRB	HEW	INT	LAB
NAVY	NSA	NSC	OPIC
STR	TAR	TRSY	USIA
RMB			

SUGGESTED DISTRIBUTION:

Over the last several months the post has attempted to sound out a number of individuals in southern Iran regarding their views of the Amouzegar government's performance since taking office last summer. Responses from many, particularly government officials and those with political ambitions, have been standard incantations about Iran's continuing march toward the Great Civilization. However, the franker comments have indicated a fairly widespread sense of disappointment. This disappointment seems to have resulted less from tangible mistakes the government has made than from a commonly held perception that it has not done much of anything.

Among possible reasons for this perception are:

For years the Iranian people have been conditioned by official rhetoric to look to the central government for answers to all manner of problems. Amouzegar himself has sometimes stressed that magic solutions do not exist in every instance, something most impartial observers would view as a healthy dose of realism. However, even the Prime Minister has not been completely free from the politician's passion for grandiose claims. The consequence has been that his audience has been receiving confusing signals; one day it is told to lower its expectations, and the next that it has never had it so good.

CONFIDENTIAL
CLASSIFICATION

DRAFTED BY:	DRAFTING DATE	PHONE NO.	CONTENTS AND CLASSIFICATION APPROVED BY:
PO:VLTomseth:vlt	4/27/78	32023	PO:VLTomseth

CLEARANCES:
POL:GBLambrakis

FORM DS-233

Amouzegar came into office with a reputation for managerial competence. Many people looked to him to bring order to the social and economic disruptions that seemed to be hallmarks of the final months of the Hoveyda administration. Nine months later, however, the same kinds of frustrations--inflation, high prices, shortages, economic inequities, bureaucratic red tape--that preoccupied many Iranians before Amouzegar succeeded Hoveyda are still very much in evidence.

The economic downturn of the over-heated economy which has accompanied Amouzegar's term of office has also contributed to the negative perception many of the post's contacts, especially those in the private sector, have of his government. While rapid economic expansion was directly to blame for a number of the imbalances that recently these same individuals complained about so vociferously, and a period of pause may provide an opportunity for badly needed consolidation, a sense of nostalgia for the heady days of 1974 and 1975 has become increasingly evident in the last few months.

For many, the government's policy toward civil unrest epitomizes what is frequently viewed as its inability to deal purposefully with pressing issues. Individual attitudes toward the unrest itself are quite complex, presumably due to the extreme reluctance of many among the modernized elements of Iranian society to come to grips with its sources and implications, but there is widespread puzzlement in the face of what often appears to be government vacillation between tolerance for dissenting views and oppression. No matter that ambivalence not infrequently characterizes the critics themselves, they find it an enigma in their government.

In sum, to a certain extent the Amouzegar government has been the victim of circumstances. It has been found wanting for its inability to deal with conditions frequently not subject to easy manipulation. Modesty and realism in dealing with complex problems have often been interpreted as weakness. Nonetheless, it would appear that the government has indeed failed to provide a sense of leadership which no doubt accounts for much of the disappointment in its performance as it is viewed from southern Iran.

TOMSETH

LSF-3
AMB
CONS
POL 2
ECON2
OR
PM
ECA
SHIR
TABR
CRU
16 gam

RF
E 21.1

HANDLING	CLASSIFICATION	MESSAGE REFERENCE NO.
	CONFIDENTIAL	A-009

TO: DO : Department of State

INFO: TEHRAN, TABRIZ, SHIRAZ (pouch)

FROM : AmConsul ISFAHAN

FROM: E.O. 11652: GDS DATE: May 6, 1978

E.O. 11652: TAGS : PINT, PINS, IR

TAGS:

SUBJECT: SUBJECT: Disturbances in Isfahan

REF:

BEGIN SUMMARY: Beginning on March 28, commemorating the death of demonstrators in Tabriz on February 18, Isfahan has experienced continuing demonstrations, causing an increased feeling of insecurity in both the Iranian and American communities here, and a growing Iranian distrust of GOI motives and tactics. Recently, the demonstrations have changed character, now involving large numbers of conservatives in a mood of confrontation, and an anti-American bias may have begun to develop. Unless a new approach is developed to prevent confrontation, there is a serious likelihood of widespread disorder which could endanger U.S. citizens and interests here. END SUMMARY.

Hit-and-Run Vandalism

Forty days after the February 18 Tabriz riots, which resulted in a number of deaths, Isfahan was nervously poised for a possible similar outbreak here, marking the end of the 40-day period of mourning. Many people were staying home, and major intersections and buildings were guarded by truckloads of police and gendarmerie. Local authorities maintained they expected no trouble, but government and security offices were on 24-hour alert status for three days before the commemorative date. Initially, the incidents which did occur on March 28 seemed trivial, consisting of no more than vandalism (rock-throwing) at a number of municipal offices and

CONFIDENTIAL

CLASSIFICATION

DRAFTED BY: DCMcCaffrey/jb
CLEARANCE: POL:JDSempel

DRAFTING DATE: 5/4/78 PHONE NO. CONTENTS AND CLASSIFICATION APPROVED BY: CONSUL:DCMcCaffrey

DEPT. DISTRIBUTION
ORIGIN/ACTION

AF	FRC	OJ	EA
EB	IGN	INR	IO
L	NEA	PER	PM
REP	SCI	SS	SY
AGR	AID	AIR	ARMY
CIA	COM	DOD	DOT
FRB	HEW	INT	LAB
NAVY	NSA	NSC	OPIC
STR	TAR	TRSY	USIA
XMB			

SUGGESTED DISTRIBUTION:

banks. Street crowds quickly returned to normal, as did employee attendance and the number of police at traffic posts. However, two days later, and then almost every day after that for a week, there were further, similar incidents, involving a few persons, in a car or on motorcycles, swooping down on unguarded facilities (banks, movie theatres, liquor stores, minor government offices) throwing stones or crude fire bombs, which usually failed to ignite, through windows, and then vanishing. Of thirty-six reported incidents, none resulted in contact with police, or therefore, in arrests. After the initial ten days, these incidents declined in number, but continued in the same form until mid-April.

GOI Involvement/Collusion?

As these incidents continued, always occurring wherever police were absent, and with police investigations yielding neither information nor arrests, the newspapers began to feature increasingly harsh condemnation of "anti-state elements" who must be stopped by "loyal Iranian popular organizations", culminating in the announcement of the establishment in Isfahan of Civil Defense Organization (CDO) "Action Squads",* who, unlike the police, had immediate success in confronting and capturing "suspected disruptionists" and turning them over to the police.

Increasingly, in Isfahan, this pattern became suspect, until an apparent majority of the population of Isfahan has come to believe that the hit-and-run vandalism was in fact Government of Iran (GOI) directed, at at minimum inspired and colluded with. The presumed GOI purpose being to generate an excuse for the creation of "goon squads" of apparent popular origin, though actually GOI military or security agents. These CDO Action Squads could then be used for illegal or semi-legal action against GOI opponents, which the GOI could not take directly because of world-wide (and particularly U.S.) concern about human rights and government oppression. This would put the GOI in the position of publicly endorsing greater freedom and rights, while gently deploring the "understandable excesses" of these "concerned private citizen groups" which could brutally suppress any opposition figures.

As evidence of this collusion, Isfahanis point out the total lack of contact between the vandals and police, in an alert and heavily patrolled city, which argues either: unbelievably good intelligence about police movements; such total popular antipathy that vandals appear wherever there are no police; or collusion.

*Note: These "Action Squads" are referred to in Embassy reporting by the term used by the GOI, "Resistance Corps Units. They are the same thing.

The first does not square with the primitiveness of the vandalism, and the second is belied by the appearance and sudden success of the CDO Action Squads, which leaves the third. Isfahanis also point out that, while incidents are common, damage is absurdly minimal, contrasting sharply with the damage cause by real demonstrators to similar targets in Tabriz.

Second-Phase Demonstrations

Apparently separate and distinct from the hit-and-run vandalism, a series of mourning commemorations complete with pictures and names of presumed Tabriz victims was held on March 29-31, at the University of Isfahan, by conservative student groups. Following these ceremonies, the students declared a one-week memorial strike, which was well-observed (although the library and study rooms remained full of students preparing for exams). None of this appeared cause for concern. However, on April 14, an incident occurred at the Husseinabad Mosque near the University with dangerous consequences. Reports state that a conservative mullah (religious leader) had announced his intention to speak about Dangers to Islam in Iran. When he arrived at the Mosque, accompanied by supporters, he was met by policemen, who attempted (successfully?) to prevent his entrance into the Mosque. Whatever their success, the dispute quickly attracted a large and hostile crowd. Eyewitnesses report that four military vehicles then pulled up, disgorging khakhi-uniformed men armed with rifles and bayonets or automatic weapons, showing military training and discipline, who marched on the crowd and dispersed it with some brutality, but no shooting. These forces then apparently staged separate raids on the homes of well-known conservative figures, hauling off 20-50 people for questioning. The newspapers reported this incident as the first activity of the CDO Action Squads in Isfahan, in which they arrested eight people "alleged to have either instigated past disturbances or distributed subversive literature" (Tehran Journal, 4/16/78). My contacts believe they were in fact army troops without insignia.

In angry reaction to the Husseinabad incident, about 500 students assembled at the University of Isfahan campus on Tuesday, April 18, proceeded to smash windows of campus buildings and cars parked on campus, then marched off campus throwing rocks at a nearby hotel and a branch of Bank Sadarat, and finally attacked the Pepsi-Cola plant on a major avenue near the campus. Police poured into the area, shots were fired, and at least two students were arrested.

(Eyewitnesses report large numbers of students were carried off by police but later released, claiming they were beaten during questioning.) On Sunday, April 23, an estimated 2000 students left campus, blocked a major traffic circle, pulling some motorists from their cars, and retreated to a nearby mosque when attacked by police. Upwards of 20 were later arrested at the mosque.

Meanwhile, on campus, an estimated 10 percent of the students staged daily demonstrations of a reactionary religious nature, verbally abusing female students not wearing chador (the Muslim veil) and attempting to force students to abandon classes at prayer-time. The majority of students, involved with exams, continued to attend classes, but increasingly large numbers attended scheduled meetings with Deans and other administration members, where they demanded the University adopt strict Muslim practices (women must be veiled, separate eating facilities for women, classes suspended for prayer, as much as 30 percent of the faculty suspended for "non-Islamic leanings"). An estimated 3000 attended a meeting on April 29 to present these demands to the University Chancellor. The Chancellor appeared at the meeting, rejected all demands, and ordered the students to return to classes or be expelled. After his departure, the angry crowd was dispersed by fire hoses.

Rumors, Rumors, and Reaction

During all of the above, the city, and particularly the American Community, has been filled with rumors. Initially it appeared no more than the usual exaggeration and distortion from within the community itself, but shortly a new and disturbing type of rumor appeared. I was called from several sources about the kidnapping of an American child, an acid attack on two American women, student bodies on the street near American residences, attacks on American School buses, and numerous break-ins, assaults, and rapes. The Elementary School saw a sharp drop in attendance after rumors of an attack and serious vandalism at the school. None of these rumors had any basis in fact, and those that were traceable always came from Iranian (unidentifiable) sources. It appeared that someone was deliberately attempting to panic the Americans with these rumors. Finally, the security officer at one company received a call he took to be from SAVAK informing him that two American women had been pulled from their car, stripped naked, and photographed, and instructing him to issue a security bulletin to his employees telling all women to stay indoors. He did this, without checking the story, and this official bulletin was enough to make several American families flee from Isfahan, and many more request immediate transfers from the area. One University

source reported that a pamphlet passed among students had commended their success in frightening Americans, and urged them to continue to spread rumors, but this is not confirmed. Additionally, another company received both a written and a phoned threat message, and Gendarmarie officials report a number of Iranian companies have also received phoned threats. Finally, I have one report that the mullah at the Husseinabad Mosque, and at least four other mullahs, have begun inserting inflammatory anti-foreign and anti-American rhetoric into already anti-Shah sermons, and that they and their student supporters are forming "self-defense forces" against expected attacks by the "CDO Action Squads".

Analysis

I believe that GOI forces in Isfahan have handled the situation in Isfahan badly. Whether or not the GOI colluded in the hit-and-run vandalism (unlikely, but impossible to prove or disprove) their sharply different tactics against those and the student/conservative demonstrators, plus the formation of the CDO Action Squads, have made the students and the majority of the population believe they did. The strength and growing violence of the conservative demonstrations is a reaction to a perceived undercover GOI threat. As it grows in strength, there is an increasing danger that additional targets will be added to the anti-government actions: Isfahan's Jewish, Armenian, and Bahai communities are increasingly fearful, and Americans are on the verge of panic. An open clash between CDO squads and conservative self-defense forces could build to widespread riots. The general population, while unhappy with the situation, is largely sympathetic to the conservative reaction. While only a small minority of students, for example, are truly reactionary, the campus protest meeting with the Chancellor drew almost 45% of the student body, and dispersal by fire hoses probably gained the extremists some additional adherents. Security officials are now beginning to issue warnings to Americans, after weeks of assurances that there was nothing to fear.

I currently see no direct threat in this to Americans or American interest here. A short period of calm will be sufficient to ease the fears of American residents, but any escalation will of necessity endanger the personal security of American residents, and the U.S. projects and personnel here could easily be a major secondary target of widespread protest.

In this growing spirit of confrontation, it appears that only some outside influence can prevent further escalation of violence. In fact, that outside event may have occurred. The Communist-led

coup-d'etat in neighboring Afghanistan, said here to have been initiated under cover of conservative, religious protest, has had a sobering effect. There have been no demonstrations for three days. If the conservatives are persuaded that their protest will in fact assist Communist aims, they may well mute their voices. However, even if Isfahan calms down for now, it has been demonstrated that reactionary religious elements are able both to enlist the sympathy of large numbers and attract significant crowds to demonstrations; and (while basically peaceful) these demonstrators do not shrink from confrontation and violence. This is a reflection of a general malaise, not a response to a specific event, and will continue as a smouldering threat to stability even if this series of protests quiets down.

MC GAFFEY

AIRGRAM

SHIR -3

AMB
DCM
POL2
ECON2
PM
OR
ICA
TABR
CRU

14 gam

HANDLING	CLASSIFICATION	MESSAGE REFERENCE NO.
	CONFIDENTIAL	A-15

TO: DEPARTMENT OF STATE

INFO: AMCONSULS ISFAHAN AND TABRIZ (VIA INTERNAL POUCH)

FROM: AMCONSUL SHIRAZ

DATE: 5/14/78

E.O. 11652: GDS

TAGS: PINS, IR

SUBJECT: SOCIAL UNREST IN IRAN

REF:

DEPT. DISTRIBUTION
ORIGIN/ACTION

AF	ARA	CU	EA
EB	EUR	INR	IO
L	NEA	PER	PM
REP	SCI	SS	SY
AGR	AID	AIR	ARMY
CIA	COM	DOD	DOT
FRB	HEW	INT	LAB
NAVY	NSA	NSC	OPIC
STR	TAR	TREY	USIA
XMB			

SUGGESTED DISTRIBUTION:

Shiraz, along with a number of other cities in the consular district and throughout Iran, experienced a spate of anti-regime demonstrations during the week of May 7. The ostensible focus was the 40th day following the last major outbreak of violence on March 30 which was 40 days after the Tabriz riot which was 40 days after the January Qom "massacre." It has become increasingly apparent that the forty day commemorative cycle provides no more than a vehicle for outpourings of anti-regime sentiment that runs deep and broad in Iranian society. The growing trend toward violence in Shiraz suggests significant numbers of Iranians here (and probably elsewhere as well) are profoundly disturbed by the character of their government and aspects of the modernization process in their country.

Assessing the underlying causes of unrest, however, is complicated by the fact that there have been seemingly two distinct groups involved in demonstrations and violence--modernist elements, represented for the most part by university students, and the forces of Islamic conservatism. Demands for greater political liberalization appear to be at direct cross-purposes with the know-nothingism of the conservatives. In fact, the dividing line between the two groups is frequently ob-

CONFIDENTIAL
CLASSIFICATION

DRAFTED BY:	DRAFTING DATE	PHONE NO.	CONTENTS AND CLASSIFICATION APPROVED BY:
PO:VLTomseth:vlt	5/11/78	32023	PO:VLTomseth

CLEARANCES:

FORM DS-32
11-73

112

cured by the ambivalence of many of the so-called modern-
t elements. Often, these individuals seem quite prepared
o ignore the irreconcilable contradictions of the modern-
ation process and the kind of Islamic fundamentalism gen-
ally espoused by conservative critics of the regime. The
alitarianism of Islamic philosophy, it seems, provides one
tionale for an otherwise bizarre alliance--it allows mod-
nists to find common cause with obscurantist muslims more
ncerned with the effects of modernization on the form of
heir religion as it is popularly practiced than with its
hilosophic spirit.

ain Iran has long had kings, the rival tradition
niversalism has perhaps facilitated the modern-
rvative alliance in opposition to the regime. The
ntellectually honest are often troubled by the incongruity
modernization in an environment of monarchical absolut-
m. Even those willing to give the Shah credit for his ob-
ious political skills are openly contemptuous of imperial
irs and the mindless toadying too frequently characteris-
c of those around the monarch. They are skeptical of the
roposition of royal omniscience in an increasingly complex
e, and find in the concept of the Islamic brotherhood of
n both an alternative system and an incentive for partner-
hip with the conservatives.

ome modernists openly admit that the partnership is one of
nvenience, and others among them--certainly including
rxist elements--have no doubt attempted to exploit con-
rvative anti-regime sentiment to further ends of which
he conservatives would not approve. However, at least in
uthern Iran, it increasingly appears that modernist par-
icipants in anti-regime activities are the tail of a bas-
ally conservative dog. Rather than comprising the van-
ard of the movement, the modernists are being swept along
a conservative tide. A number of factors seem to be in-
lved: First, despite dramatic changes during the last two
cades, Iran (at least outside Tehran) remains for the
t part a pre-modern society. Even large elements among
rapidly growing populations of urban centers like Shi-
Ahwaz, Abadan/Khorramshahr, Kerman and Bandar Abbas
only recently removed from traditional small town or
age environments. Second, among the modernized sector
[illegible] been consciously [illegible]itical. T[illegible]d, [illegible]

about their goals; they know what they are against, but they are frequently vague about what they are for. Finally, the conservatives have the strength of at least thinking they know what they want--a society free from "non-Islamic" taint. That includes getting rid of a leader who does not put defense of the faith foremost and who has actually encouraged such pernicious influences as female emancipation, even if it does not entail dismantling the economic structure that has improved the material quality of life for almost all Iranians, many conservatives included.

The impossibility of the conservatives' objective--an industrial economy in the midst of a society otherwise indistinguishable from a medieval Islamic model complete with veiled women and enforcement of the sharia--is of little consequence to the practical problem of governing in Iran. The primary reality is that the regime is confronted with widespread dissatisfaction with many inevitable consequences of the modernization process among the large pre-modern sector of the Iranian population. It is almost inconceivable that the commitment to modernization will be reversed, but as the process proceeds unrest is likely to increase among those opposed to or troubled by many of its manifestations. While the conservatives probably do not have the power to turn back the clock, they perhaps can retard its progress. To complicate matters, the politically active at the other end of the social spectrum are already impatient with what they regard as anachronisms, and will undoubtedly continue to push for greater political liberalization, allying with the forces of reaction when they see it to their advantage to do so.

Caught between this political Scylla and Charybdis, the regime may be tempted to exploit an emerging backlash among the modernist but heretofore apolitical elements of Iranian society. These people--civil servants, technocrats, military officers, businessmen (as opposed to the bazaari type who generally must be counted among the traditionalists)--have been interested primarily in pursuing their careers and personal affairs. They are now finding, however, campus unrest and the disruption of commerce in commemoration of the fallen heroes of one city or another an increasing irritation in their lives. They would thus seem predisposed to a fascist solution to the violence which has affected so many cities. Periodic calls for vigilante action against hooligans and anti-state elements suggest that the regime has considered this option and perhaps has not yet rejected

it. A reversal of the policy of liberalization which has allowed disgruntled elements in Iran to express themselves might put an end to public manifestations of the social turmoil that the modernization process has engendered, but it is doubtful that it would affect its root causes in any major way. After all, in retrospect it is clear that before it was decided to let a hundred flowers bloom, repression and censorship were ineffective in preventing the social unrest now out in the open.

TOMSETH

SECRET/NOFORN

LIMITED OFFICIAL USE WITHOUT ATTACHMENTS

UNITED STATES GOVERNMENT

memorandum

DATE: June 7, 1978

REPLY TO ATTN OF: E/C - Clyde D. Taylor

SUBJECT: Iran's Military Imports and Petroleum Exports

TO: The Ambassador
THRU : DCM - Mr. Charles Naas
E/C - Mr. Roger Brewin

REF : A. Tehran A-70 (1977 Foreign Trade Report)
B. Your Undated Request for Subject Data
C. My Memorandum of May 24 to Messrs. Bash and Martin, same subject

Attached are tables representing collections of data and estimates concerning Iran's military imports and oil exports placed within data covering all Iranian foreign trade (goods and services) and with the United States. A covering statement addresses the difficulties in arriving at these data and cautions concerning their reliability.

I have been seized with the lack of inclusive Iranian trade data since my arrival and know my predecessors likewise wrestled with the issue. Mr. Gary Hufbauer, Deputy Assistant Secretary of Treasury for International Trade and Investment, and I discussed this issue thoroughly early this year. He kindly worked on it and provided information collected from four U.S. offices. His comment after his efforts and concerning the data was, "It does not fit together to make a very neat report." I am enclosing a copy of his letter and data sheet for your information.

In addition to Mr. Haufbauer, I acknowledge the contribution of Mr. Bash to this effort.

Attachments:
1. Haufbauer to Taylor letter dated March 13, 1978 w/attachment (several)
2. "Iran's Foreign Trade and Current Account Balances Worldwide and with the United States w/Tables I, II and III

cc: NEA/IRN
Commerce/CAGNE
Treasury/OASIA-Mr. Hufbauer/Mr. Maslin
CIA/OER
RCB/RF

SECRET/NOFORN
LIMITED OFFICIAL USE WITHOUT ATTACHMENTS

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10 (REV. 7-76) GSA FPMR (41 CFR) 101-11.6 5010-112

IRAN'S FOREIGN TRADE AND CURRENT ACCOUNT BALANCES
WORLDWIDE AND WITH THE UNITED STATES 1976 AND 1977

The Problems and Caveats Concerning Attached Data

Complete data of Iran's foreign trade are not published or, to my knowledge, maintained by the Government of Iran. Merchandise trade statistics exclude oil from exports and goods imported by the military, not all of which are "military" goods. Current account invisible flows--tourism, medical, transfers, interest, transport, etc.--are recorded as a "basket" grouping only in the balance of payments presentation and no country breakdown is available.

Those wishing data concerning Iran's oil exports by value and destination must estimate, use intelligence sources or collect data from recipient countries. The latter, of course, introduces problems of "leads and lags" as well as basis of valuation, e.g. FAS, CIF, FOB.

Data concerning Iran's military imports are more difficult to develop. As a rule of thumb, it was assumed that it was the difference between the value of non-military imports, as reported by the Customs Department (Ministry of Economic Affairs and Finance) and the total payments for merchandise imports reported by the Central Bank on the foreign exchange balance of payments. Thus, as reflected on Table II, military imports in recent years should have been (U.S. $ millions). 1975-$5,298, 1976-$3,309, 1977-$2,550. The validity of this assumption depended mostly on a close correlation of imports and payments, since it relates two distinct trade concepts, customs (based on documents of goods received) and cash flow balance of payments. This should have been the case until about March 1976. Since that time, particularly Iran's public sector imported goods on a credit basis rather than cash. This altered payment terms for non-military imports much more than military, the bulk of the latter presumed to be under U.S. Foreign Military Sales (FMS) terms. This would result in an understatement of imports balance of payments basis relative to customs (actual) basis and an understatement of presumed military imports. Another weakness in the assumption, resulting in an overstatement of imports, balance of payments basis, is the prepayment of imports, (i.e. higher cash payments than would be supported by customs goods received, inflating the presumed military import figure) which would affect the 1975 data and to a lesser extent those of 1976. (See lines VI and VII of Table II).

Data of military shipments to Iran obtained from unclassified (USDOD for FMS) and classified (Secret for other countries and from the CIA) sources aggregates to figures in 1975 and 1976 considerably below the assumed levels (line VII, Table II) and raises doubt concerning the inclusivity of these data. It also confuses U.S. fiscal years with Gregorian years, dates (in case of FMS) shipment

by transfer of title and leaves unclear the valuation bases.

Data for Iran's oil exports likewise must be refined and estimated. Public raw data from the NIOC are not provided by country of destination, much less country of ultimate destination, and are never monetized. As noted on Tables I and III, the Embassy has calculated values and identified and/or estimated destinations for crude and refined oil using data obtained through contacts; thus, they are controlled L.O.U.

Non-merchandise imports and Iranian exports of invisibles are obtained from the Central Bank's balance of payments and those attributed to the U.S. are estimated as noted on Table II. Invisibl flows estimates to the U.S. may be on the conservative side. Data on Iran's service exports to the U.S. are neither available nor con sidered meaningful in magnitude.

The total and balances developed on Tables I and II are considered reasonably accurate with regard to the U.S./Iran trade in goods and services but shaky concerning aggregates.

Attachments: Tables I, II and III

E/C:CPTaylor:dd
6/7/78

SECRET NOFORN

TABLE I

IRAN'S FOREIGN TRADE
($ MILLIONS)

	1976	U.S.	1977	U.S.
Total Exports-Goods and Services	26,224.6	2,142	27,829.9	3,568
Goods	23,193.1	2,142	23,946.8	3,568
Oil A/	22,270.5	2,100.0	23,154.7	3,500.0
Crude	(21,303.0)	(865.6)	(22,013.4)	1,496.9
Product	(967.5	(1,245.4)	(1,141.3)	2,003.1
Gas B/	219.6	-----	191.1	-----
Other C/	703	42	601	68
Services	3,031.5B/	NA/NM	3,883.1	NA/NM
Total Imports-Goods and Services B/	18,100 (20,151)	4,688	21,531.6 (22,173)	6,036.0
Goods	14,257	3,330.7	15,966	4,022.9
Non-Military C/	12,752	2,151	13,838	2,201
Military D/	1,505	1,179.7	2,128	1,821.9
Services	3,843.4	1,358 E/	5,565.6	2,014 E/
Balance	+8,124.6	-2,546	+6,298	-2,468.9

Sources
A/ Embassy calculation using OSCO/NIOC data for world, Embassy estimates for U.S., FOB.
B/ Central Bank of Iran foreign exchange balance of payments data constructed for Gregorian year.
C/ Embassy "Foreign Trade Statistics of Iran", Ministry of Economic Affairs and Finance, FOB exports and CIF imports.
D/ USDOC (for Munitions Control), USDOD (for FMS) and CIA (for non-US), FOB basis
E/ Embassy estimates including USDOD/FMS Services.

*Converted at Rials 70.5 to U.S. $1.00.

E/C:CDTaylor:dd
6/6/78

SECRET NOFORN

MERCHANDISE MILITARY IMPORTS OF IRAN

TABLE II

$ Millions

		Percent of Total/1975	Percent of Total/1976	Percent of Total/1977
I.	From U.S.			
	A. Munitions Controlled Items A/	118.5	106.5	139.6
	B. Foreign Military Sales B/	755.7	1,073.2	1,682.3
	C. Total U.S. C/	(80.1) 874.2	(78.4) 1,179.7	(85.6) 1,821.9
	D. (Foreign Military Sales Support Services)	(157.6)	(393.5)	(557.1
	(Total Incl. "C")	(1,031.8)	(1,573.2)	(2,379.0
II.	From Other Countries D/			
	A. USSR	84	62	38
	B. Western (non-US)	133	263	268
	Total Other	(19.9) 217	(21.6) 325	(14.4) 306
III.	Total	(100) 1,091.2	(100) 1,504.7	(100) 2,127.9
IV.	Import Payments (Balance of Payments Basis)	15,602	16,061	16,388
V.	Imports (CIF, Iranian Customs) E/	10,304	12,752	13,838
VI.	Assumed Military Imports (IV-V)	5,298	3,309	2,550
VII.	Military Imports (FOB Point of Origin, Item III)	1,091	1,505	2,128
VIII.	Unexplained Gap (VI-VII)	4,207	1,804	422
IX.	Summary US Receipts from Iran			
	Military (From I.B)	756	1,073	1,682.3
	Other (Custom Bureau, Incl. I.A)	3,242	2,776	2,730.0
	Total Merchandise	(3,998)	(3,849)	(4,412)
	FMS Services (gross, from I.D)	158	394	557
	Estimated Other Services F/	626	964	1,457
	Total Services	(884)	(1,358)	(2,014)
	Total Receipts	4,882	5,207	6,426

A/ Source: Munitions Control Office, Dept. of State, Bureau of Census, Calendar Year, FO
B/ US Fiscal Year (1977 incl. 5 qtrs.), at time title passes to Iran
C/ Excludes exports of non-munitions control items by commercial (non-FMS) suppliers
D/ Deliveries, not agreements; source: CIA, calendar year
E/ Excludes non-military commodities imported by Ministry of War
F/ Based on 30% of private payments and 20% of public payments; Central Bank of Iran Foreign Exchange Balance of Payments data contructed for Gregorian Years

E/C:CDTaylor:wh 5/28/78
Contributor:Treasury/OASIA/DAS/GHufbauer

TABLE III

IRANIAN PETROLEUM EXPORTS AND ESTIMATED REVENUE:

1976 AND 1977

		1976 Quantity (MMBbls)		Estimated Govt. Take: Per Bbl.	Estimated Govt. Revenue: FOB (Millions of $
I.	Crude:				
	Japan	359.6	(18.8%)	$ 11.14	$ 4,005.9
	Caribbean, including Virgin Islands *	153.4	(8.0%)	11.14	1,708.9
	U.K.	282.0	(14.7%)	11.14	3,141.5
	Holland	164.0	(8.6%)	11.14	1,827.0
	Gibralter (for order)	133.8	(7.0%)	11.14	1,490.5
	U.S.	77.7	(4.1%)	11.14	865.6
	South Africa	91.3	(4.8%)	11.14	1,017.1
	Italy	66.1	(3.5%)	11.14	736.4
	France	106.8	(5.6%)	11.14	1,189.8
	Others	477.5	(25.0%)	11.14	5,319.4
	Total Crude	1,912.3	(100.0%)	$ 11.14	$21,303.0
II.	Refined Products (All Destinations)	77.4		12.50	967.5
III.	Total Petroleum	1,989.7			22,270.5

*Perhaps 70% of the crude oil exported by Iran to the "Caribbean, including Virgin Islands" is refined and re-exported as products to the U.S. Therefore, U.S. petroleum imports, direct and indirect, from Iran in 1976 were probably about 185.1 MMBbls. with a FOB value of about $2.1 billion.

F/C:RMBash:dd
5/31/78

TABLE III (Continued

		1977			
		Quantity (MMBbls)		Estimated Govt. Take: Per Bbl.	Estimated Govt. Revenue: FOB (Millions of $)
I.	Crude:				
	Japan	297.2	(16.6%)	$12.32	$ 3,661.5
	Caribbean, incl. Virgin Islands*	231.7	(13.2%)	12.32	2,854.5
	U.K.	170.5	(9.5%)	12.32	2,100.6
	Holland	146.1	(8.2%)	12.32	1,800.0
	Gibralter, for orders	128.5	(7.2%)	12.32	1,583.1
	U.S.	121.5	(6.8%)	12.32	1,496.9
	South Africa	102.3	(5.7%)	12.32	1,260.3
	Italy	87.1	(4.9%)	12.32	1,073.1
	France	75.5	(4.2%)	12.32	930.2
	Others	426.2	(23.9%)	12.32	5,250.8
	Total Crude	1,786.8	(100.0%)	$12.32	$22,013.4
II.	Refined Products (All Destinations)	83.0		13.75	1,141.3
III.	Total Petroleum	1,869.8			23,154.7

*Perhaps 70% of the crude oil export by Iran to the "Caribbean, including Virgin Islands" is refined and re-exported as products to the U.S. Therefore, U.S. petroleum imports, direct and indirect, from Iran in 1977 were probably about 283.7 MMBbls. with a FOB value of about $3.5 billion.

E/C:RMBash:dd
5/31/78

SECRET

NO FOREIGN DISSEMINATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

March 13, 1978

Mr. Clyde Taylor
Financial Officer
Economic Section
American Embassy
Tehran, Iran

Dear Clyde,

You had asked if we would provide numbers of recent arms shipments to Iran. This has required us to seek data from four sources: (1) the Defense Department, (2) the Office of Munitions Control, Department of State, (3) the Department of Commerce, and (4) the Central Intelligence Agency. We have contacted these four agencies and have gathered the data which are available; but it does not fit together to make a very neat report.

The U.S. Department of Defense has detailed data on shipments to Iran which it maintains on a U.S. fiscal year basis. I have attached a copy of their computer printout in order to provide as much information as possible. For DOD, "delivery of materiel" means that title has passed to the purchasing government -- and normally title passes within the U.S. at the point where the materiel is ready for shipment (and thus shortly prior to actual time of export from the U.S.). I have also included the DOD printout on their sales agreements with Iran, as it will allow you to compare deliveries with sales orders.

The Office of Munitions Control has provided information on the export of materiel which is controlled under the authority of the International Traffic in Arms Regulations (ITAR) (Title 22, CFR 121-128) as follows:

U.S. FY	U.S. Dollars
1975	$118,496,219
1976	106,510,107
197T (Transitional Qtr)	20,506,769
1977	119,124,106

These exports are based on Bureau of Census data which reflects actual shipments from the U.S. I have not included information on authorizations issued for exports to Iran as they would be meaningless figures. Many export licenses are never used.

We have contacted the Department of Commerce to obtain data on commercial exports other than the items included in the ITAR and controlled by the Office of Munitions Control. These are non-military items, and items of dual commercial and military application, such as construction equipment, tentage, personal clothing and equipment, aircraft engines, etc., which could be purchased from commercial sources in the United States. Commerce is able to provide data on total trade with Iran by individual commodity, but unfortunately cannot provide a breakout by end-user; therefore, it cannot identify Iranian military purchases. Thus, we have to say that we are aware of this category of exports but are unable to obtain the relevant information. The device usually used in reports of this nature is to say that "exports of non-munitions control items by commercial suppliers are excluded from this report."

The CIA has provided data on military deliveries to Iran from countries other than the U.S. This information is provided on a calendar year basis. The column marked "Agreements" reflects commitments by Iran to purchase and "Deliveries" applies to receipts within Iran. This report includes agreements as well as deliveries since some countries have concluded arms agreements but have not yet apparently started deliveries, or at least we have no report on the deliveries. In either event it will give you some idea of potential deliveries. A copy of the CIA table is attached.

This is the best information we have been able to assemble, and I hope it can serve your purpose. If we can assist further, please let me know.

Sincerely,

Gary Hufbauer

2 Encls.
1. DOD printouts (uncl.)
2. CIA Table (Secret-Nofern)

DOWNGRADED TO UNCLASSIFIED
WHEN SEPARATED FROM CLASSIFIED
ATTACHMENT

NOT RELEASABLE TO FOREIGN NATIONALS

Iran: Military Aid Agreements and Deliveries

Million US $

Communist

	1975		1976		1977	
	Agreements	Deliveries	Agreements	Deliveries	Agreements	Deliveries
TOTAL	1,076	217	1,791	325	558	386
Communist Total	Negl	84	544	62	..	38
Soviet	..	84	544	62	..	38
Eastern Europe	Negl	..	Negl	Negl	..	..
China	..	..	..	..	..	..

Western (Non-US)

	1975		1976		1977	
	Agreements	Deliveries	Agreements	Deliveries	Agreements	Deliveries
Western Total	1,076	133	1,247	263	558	268
Australia	..	..	1	1	..	..
Egypt	..	..	7	..	..	7
France	1	1	3	15	..	53
German, Fed. Rep.	340	39	32	164	17	117
India	..	..	23	..	..	..
Israel	10	..	25	11	16	10
Italy	14	42	1	31	426	9
Sweden	..	..	..	..	2	2
Switzerland	..	..	..	..	1	1
United Kingdom	702	51	1,155	44	96	69

Encl. 2

FOIA # 78-101
23 February
01:119

SECRET

Date Impossible to Deter

DEFENSE SECURITY ASSISTANCE AGENCY

CATEGORY AND PERCENTILE ANALYSIS BY TYPES OF DEFENSE ARTICLES AND SERVICES

WEAPONS ANALYSIS REPORT

FOREIGN MILITARY SALES

IRAN — PROGRAMS — SEQUENCED AREA, COUNTRY

IMPLEMENTING AGENCY: ALL

	FY 74	PER CENT	FY 75	PER CENT	FY 76	PER CENT	FY 77	PER CENT	CUMULATIVE FY 50-77	PER CENT
COMBAT AIRCRAFT	1,657,944		-		-		1,736,500		6,440,500	
COMBAT SHIPS	511,555		492,648		1,910		351		1,425,476	
COMBAT VEHICLES	44,826		44,762		32,912		2,641		377,351	
WEAPONS	4,221		5,996		34,437		4,063		53,248	
AMMUNITION	54,142		390,574		172,157		134,310		916,426	
MISSILES	154,536		194,471		293,359		- 222,570		1,196,165	
TOTAL WEAPONS AND AMMUNITION	2,453,344	69	1,582,446	61	517,369	71	2,069,395	38	6,664,376	67
OTHER AIRCRAFT	149,614		165,956		69,952		71,922		452,424	
OTHER SHIPS	-		-		-		450		1,850	
SUPPORT VEHICLES	2,746		2,614		34,736		1,943		64,460	
COMMUNICATIONS EQUIPMENT	96,314		114,618		3,493		42,376		367,468	
OTHER EQUIPMENT AND SUPPLIES	55,096		50,231		43,356		50,820		294,420	
TOTAL SUPPORT EQUIPMENT	303,770	7	314,129	13	151,492	19	174,971	3	1,180,620	6
AIRCRAFT SPARES AND MODIFICATIONS	784,143		846,607		243,591		1,331,441		3,121,496	
SHIP SPARES AND COST SHARING	4,261		2,446		24,659		17,934		64,371	
WEAPON SPARES	3,856		4,730		17,471		3,671		64,693	
AUTOMOTIVE SUPPLIES AND EQUIP SPARES	7,202		1,514		9,941		549		33,424	
MISSILE MODIFICATIONS AND SPARES	62,113		27,548		52,914		17,971		236,156	
COMMUNICATIONS EQUIPMENT SPARES	1,531		1,496		3,464		10,135		31,504	
TOTAL SPARE PARTS AND MODIFICATIONS	870,656	21	334,261	14	102,971	22	1,340,925	24	3,762,144	21
CONSTRUCTION	657		14		-		-		672	
REPAIR AND REHABILITATION	226		3,676		55,910		34,166		108,733	
SUPPLY OPERATIONS	122,801		154,646		63,704		135,942		647,168	
TRAINING	72,968		94,215		76,451		203,344		580,993	
OTHER SERVICES	351,272		113,296		450,201		1,743,579		2,196,268	
TOTAL SUPPORT SERVICES	547,042	13	315,715	13	646,315	37	2,177,731	39	4,249,752	24
TOTAL IRAN	4,159,851	100	2,548,819	100	1,688,349	100	5,762,449	100	15,857,884	100

FOREIGN MILITARY SALES — PROGRAMS — SEQUENCED AREA, COUNTRY

IRAN

IMPLEMENTING AGENCY: ALL

PER CENT PER CENT PER CENT PER CENT CUMULATIVE FY 50-77 PER CENT

TOTAL SUSTAIN SERVICES												
	81	100	2,378	100	3,367	100	1,633	100	67,531	100		
TOTAL INDIA												

IRAN

FOREIGN MILITARY SALES

DELIVERIES

SEQUENCE: AREA, COUNTRY

IMPLEMENTING AGENCY: ALL

	FY 74	PER CENT	FY 75	PER CENT	FY 76	PER CENT	FY 77	PER CENT	CUMULATIVE FY 50-77	PER CENT
COMBAT AIRCRAFT	192,569		276,342		164,936		625,754		1,444,093	
COMBAT SHIPS	-		349		627		3,557		11,111	
COMBAT VEHICLES	40,375		47,438		43,275		15,492		239,114	
WEAPONS	447		1,387		2,966		1,277		8,326	
AMMUNITION	26,476		60,821		174,232		99,962		478,223	
MISSILES	42,174		113,033		63,985		160,289		393,086	
TOTAL WEAPONS AND AMMUNITION	302,441	59	496,282	54	449,912	31	906,331	48	2,565,954	43
OTHER AIRCRAFT	249		96,726		215,296		388,148		652,874	
OTHER SHIPS	409		-		-		-		1,008	
SUPPORT VEHICLES	1,984		856		2,887		9,225		15,993	
COMMUNICATIONS EQUIPMENT	18,717		2,101		16,605		11,538		133,216	
OTHER EQUIPMENT AND SUPPLIES	9,431		16,993		24,536		26,343		129,605	
TOTAL SUPPORT EQUIPMENT	30,395	6	116,676	13	259,324	18	355,253	19	932,789	15
AIRCRAFT SPARES AND MODIFICATIONS	113,987		123,178		284,196		384,538		1,811,135	
SHIP SPARES AND COST SHARING	3,846		4,914		5,122		6,876		26,726	
WEAPON SPARES	6,715		6,554		8,566		13,190		52,627	
AUTOMOTIVE SUPPLIES AND EQUIP SPARES	78		87		10,799		1,782		12,795	
MISSILE MODIFICATIONS AND SPARES	1,704		6,187		53,756		63,218		125,128	
COMMUNICATIONS EQUIPMENT SPARES	1,534		1,898		1,570		1,202		10,980	
TOTAL SPARE PARTS AND MODIFICATIONS	127,865	25	142,736	16	364,008	25	470,716	19	1,239,391	21
CONSTRUCTION	-		308		262		1		572	
REPAIR AND REHABILITATION	1,281		227		1,345		21,947		29,039	
SUPPLY OPERATIONS	11,534		24,705		80,765		43,393		201,941	
TRAINING	20,960		55,458		76,221		68,841		275,165	
OTHER SERVICES	15,676		76,673		234,931		423,766		782,156	
TOTAL SUPPORT SERVICES	49,651	10	157,571	17	393,524	27	557,046	25	1,289,074	21
TOTAL IRAN	510,347	100	913,267	100	1,466,767	100	2,289,346	100	6,027,208	100

(DOLLARS IN THOUSANDS) (FY 1976 INCLUDES FY TT) (** AMOUNT IS LESS THAN $500.00) (TOTALS MAY NOT ADD DUE TO ROUNDING)

RCS-DSAA-MCA(1)-FA PROCESSED ON 07 FEB 78 PAGE 21 AS OF 30 SEP 77